

# ELECTROLUX

## ANNUAL REPORT



AB SERVICEFÖRETAGET  
LPENINOS  
Electrolux Constructor  
GRANGES  
Gotthard Nilsson  
NISSI  
Tvättman  
Jonsered  
Electrolux Wascator  
Electrolux Autoliv  
Flymo  
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Quaker Maid  
Electroclean  
Unidad Hermética  
SAPA  
Husqvarna FOREST GARDEN  
Husqvarna  
DITO SAMA  
Electrolux Klippan  
NORLETT & PARTNER  
American Yard Products  
EUREKA  
Frigidaire  
WHITE CONSOLIDATED

# HIGHLIGHTS OF THE YEAR

- The year was marked by continuously weakening demand for consumer capital goods, particularly in the UK and the US.
- Operating income after depreciation increased by 8% to SEK 5,281m. Income after financial items declined, however, to SEK 3,608m. The decline in net financial items is traceable primarily to the acquisition of the US garden-equipment operation in American Yard Products and to the Group's current major investment program.
- Earnings per share after full tax rose by 9% to SEK 35.20.
- Capital expenditure remained at a high level and totalled SEK 5,389m. Investments completed during the year included three new highly automated plants for white goods, to which production will gradually be transferred from older facilities. Delays and start-up problems resulted in additional costs of SEK 300-400m for the major new production facilities.
- A number of operations were divested in the interest of streamlining the Group's structure, including those for sterilization and disinfection equipment and building materials. Operating income includes net capital gains on these divestments in the amount of approximately SEK 500m.

	1989	1988
Sales, SEK m	84,919	73,960
Operating income after depreciation, SEK m	5,281	4,897
Income after financial items, SEK m	3,608	3,727
Earnings per share after full tax, SEK <sup>1)</sup>	35.20	32.30
Earnings per share after actual taxes, SEK	35.70	36.10
Dividend per share, SEK <sup>2)</sup>	12.50	11.50
Return on equity after full tax, % <sup>1)</sup>	17.3	18.6
Total return on equity, %	16.0	18.9
Return on net assets, %	14.7	17.4
Capital expenditure, SEK m	5,389	4,772
Total number of employees	152,900	147,200
<b>Approximate values according to US GAAP</b>		
Net income, SEK m	2,291	2,103
Net earnings per share, SEK	31.20	28.60
Total assets, SEK m	65,736	57,407
Shareholders' equity, SEK m	14,648	12,807
Debt/capital ratio, % <sup>3)</sup>	55	54

For definitions of the above concepts, see p. 42-43.





1) Full tax comprises actual taxes paid plus deferred tax of 30% on allocations.

2) 1989: Proposed.

3) Long-term liabilities in relation to long-term liabilities plus shareholders' equity.

For a description of the main differences between US and Swedish accounting principles, see Note 17 to the financial statements.

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The annual report for 1989 consists of two separate reports, "Electrolux Annual Report 1989" and the parent company's "Annual Report for AB Electrolux 1989".

The former comprises all data referring to the Group as well as a summary of essential information on the parent company. The "Annual Report for AB Electrolux 1989" contains all data referring to the parent company including a specification of shares and participations in subsidiaries and is available on request from AB Electrolux, Investor Relations, S-105 45 Stockholm, Sweden.

The report has been divided into two documents in order to comply more closely with international standards for corporate reporting and to concentrate information to that which is essential for an evaluation of the Group.

# ELECTROLUX TODAY

Electrolux is one of the world's leading producers of white goods. The Group is market leader in Europe and as owner of White Consolidated is the third largest white-goods company in the US.

The Group is also the largest or second largest company in the world in floor-care products, absorption refrigerators for caravans and hotel rooms, food-service equipment, industrial laundry equipment, forestry and garden equipment and car safety belts.


More than 80% of Group sales are outside Sweden. The US is the largest single market, accounting for slightly more than one-third of total sales, and is followed by Sweden, the UK and France. About 37% of sales are within the Common Market, where Electrolux has over 52,000 employees. The Group has a total of 556 companies in about 50 countries, with 152,900 employees.

Electrolux expanded vigorously throughout the 1980's, during which more than 200 companies were acquired. Major acquisitions in Europe included Granges in Sweden, Zanussi in Italy, the white-goods and food-service equipment divisions of Thorn EMI in the UK, Corberó and Domar in Spain and the West German Buderus Group's operations for cookers, food-service equipment and industrial laundry equipment. Major acquisitions in the US during the 1980's included White Consolidated, Poulan/Weed Eater and the Roper garden-equipment operation.

## Six business areas


Operations are organized in six business areas, i.e. household appliances, commercial appliances, commercial services, outdoor products, industrial products and building components.

## Household appliances




Household appliances comprise the Group's largest business area. In 1989 they accounted for 51% of total sales, as against 56% in the previous year. White goods are the primary sector of operations. Other main operations include floor-care products, absorption refrigerators for caravans and hotel rooms, room air-conditioners and sewing machines.

## Commercial appliances




This business area includes equipment for food service, laundries and cleaning companies as well as refrigeration equipment and service counters for shops and supermarkets. In the course of the year the operations for sterilization and disinfection equipment were sold. This business area accounted for 9% of Group sales in 1989.

## Commercial services



Commercial services comprise primarily cleaning of offices and public premises as well as cleaning and rental of textiles and work clothes. About 50% of sales are outside Sweden. This business area accounted for 5% of total sales in 1989.

## Outdoor products



This business area has expanded strongly in recent years. The product range includes chainsaws and other equipment for forestry, as well as a wide range of garden equipment. Outdoor products accounted for 10% of total sales in 1989.

## Industrial products

Industrial products are the Group's second largest business area and accounted for 20% of total sales in 1989. The largest operation in this area is Gränges, which focuses on various types of half-finished aluminum products. Gränges is followed by industrial components, which include car safety belts and other products for personal safety in cars as well as compressors, motors and plastic components. This business area also includes materials handling equipment as well as White's operation for highway construction equipment.

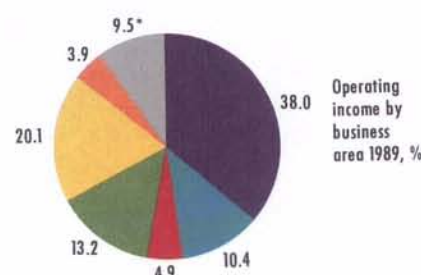
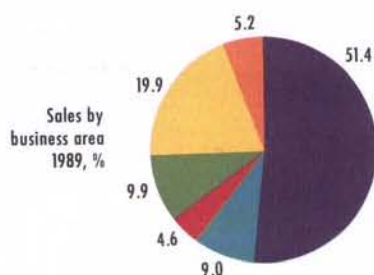
## Building components

Following the sale of the Beijer Bygg-material Group as of December 31, 1989, this business area consists exclusively of kitchen and bathroom cabinets. Beijer is included in the results for the full year 1989, however. This area accounted for 5% of total sales in 1989.

## Group sales world-wide

	1989		1988	
	SEK m	%	SEK m	%
EFTA	20,389	24.0	18,091	24.5
EC	31,499	37.1	28,413	38.4
Rest of Europe	683	0.8	453	0.6
North America	25,874	30.5	21,140	28.6
Latin America	1,406	1.7	1,455	2.0
Africa	585	0.7	390	0.5
Asia	3,496	4.1	3,146	4.2
Oceania	987	1.1	872	1.2
<b>Total</b>	<b>84,919</b>	<b>100.0</b>	<b>73,960</b>	<b>100.0</b>

For information on sales and number of employees by country, see pp. 58-59.



Sales				Business area	Operating income after depreciation			
1989	1988	1987		1989	1988	1987		
SEK m	SEK m	SEK m		SEK m	SEK m	SEK m		
43,682	41,088	39,487	Household appliances	2,005	2,303	2,187	38.0	
7,662	6,695	5,619	Commercial appliances	547	543	484	10.4	
3,890	3,336	2,893	Commercial services	260	208	169	4.9	
8,387	4,960	4,475	Outdoor products	698	548	460	13.2	
16,890	14,107	11,784	Industrial products	1,059	1,123	761	20.1	
4,408	3,774	3,172	Building components	208	172	164	3.9	
-	-	-	Net contribution from major divestments*	504	-	-	9.5	
<b>84,919</b>	<b>73,960</b>	<b>67,430</b>	<b>Total</b>	<b>5,281</b>	<b>4,897</b>	<b>4,225</b>	<b>100.0</b>	

# REPORT BY THE GROUP PRESIDENT

## **A difficult year, but profitability continued to be good**

The year 1989 was a difficult one in several ways for Electrolux. Following a good first quarter, there was a steady downturn in demand for consumer capital goods, primarily in the UK and the US, and our sales volumes declined. The US white-goods market in particular showed very severe price competition during the latter part of the year.

In Italy, sharp increases in costs together with a strong lira created an unfavorable situation for exports from our Italian plants. On the whole, in most major markets it was difficult to compensate for higher wage and material costs through higher prices. A number of these problems will probably remain during most of 1990.

Substantial additional costs also arose during the year with respect to the large investment projects for white goods, mainly as a result of delays and start-up problems at the two refrigerator plants in Susegana, Italy and Anderson, South Carolina in the US. Other major projects for production facilities proceeded for the most part on schedule, i.e. the two washing-machine plants in Porcia, Italy and Webster City, Iowa and the dishwasher plant in Kinston, North Carolina, USA. In addition to these projects, which are scheduled for completion during 1990, we made large investments in new product generations of vacuum cleaners and sewing machines.

Many of the problems during the year thus arose in connection with household appliances. However, during the second half of the year earnings also deteriorated for industrial products, as a result of higher prices for supplies of aluminum oxide and cancelled deliveries of compressors to China following the events in June.

Operations that reported good performance include food-service equipment, industrial laundry equipment in Europe and commercial services. Forestry and garden

equipment also reported good performance in the US, and the integration of the Roper operation, now known as American Yard Products, proceeded according to plan.

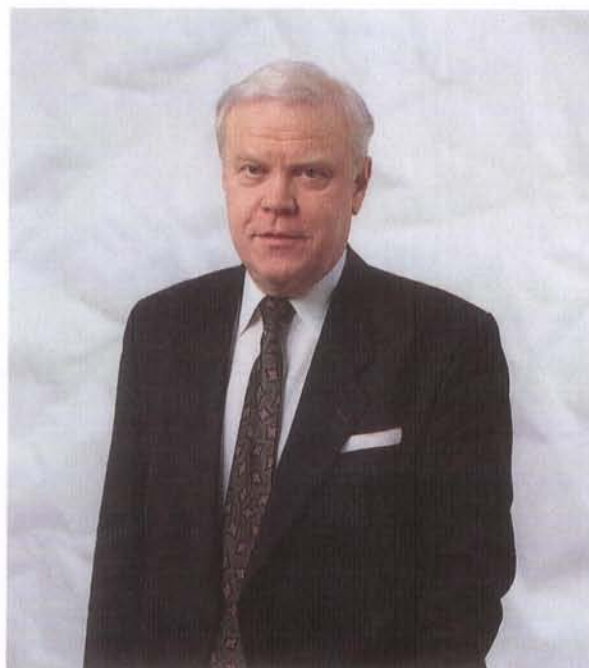
Although a good deal of effort during the year was devoted to a response to the deterioration of the market, we nevertheless continued our long-term work on strengthening our core areas. The extensive investment program continued without restriction. We reached an agreement for acquisition of the West German Buderus Group's operations for production of cookers, food-service equipment and industrial laundry equipment, which have total annual sales of about SEK 1,550m. We also signed an agreement with the Sharp Corporation for distribution of Electrolux white goods in the Japanese market. In the interest of streamlining the Group's structure, we divested a number of non-strategic operations with combined annual sales of about SEK 4,000m.

## **Comprehensive restructuring and investment during the 1980's**

The Group maintained a high rate of expansion during the 1980's. Sales rose from SEK 15,000m to SEK 85,000m, an average of 19% annually. We made a total of about 200 acquisitions, the largest of which were Gränges in Sweden, Zanussi in Italy and White in the US. A large number of operations have been divested since the start of the 1980's, and the Group has gradually become less diversified.

Acquisitions have enabled us to achieve strong market positions in the EC and North America. Expansion has involved a geographical shift, which has reduced the Swedish share of the Group's production from about 50% to about 20%.

Electrolux has become one of the world's leading producers of household appliances. The Group is also the largest or the second largest in the world market in food-service equipment,



industrial laundry equipment, forestry and garden equipment and car safety belts.

During the 1980's we were primarily interested in reinforcing the Group's core areas in terms of products and geographical coverage as well as in achieving volume benefits, primarily with respect to production and distribution. Expansion was also necessary in order to respond to the development of global markets in several of our product areas.

We were the first company to engage in white-goods operations in both Europe and the US, and have since seen our competitors moving in the same direction.

Our strategy of acquiring problem-ridden companies cheaply and then achieving benefits from rationalization has required cost-intensive restructuring and investments, which in the short term involve a burden both organizationally and financially. During the 1980's, annual growth of earnings after financial items was about 15%, i.e. lower than the annual growth rate for sales.

However, it is evident that we are entering the 1990's with a substantially stronger industrial and market base. We are now one of the leaders in the world market in a number of product areas, and these account for about 70% of our sales.

For white goods, investments in new plants of approximately SEK 6,000m over the past three years will give us better cost and production structures. New and differentiated product lines that involve better utilization of our various brand names will also strengthen our competitive position.

For an Electrolux shareholder, the 1980's gave an effective average annual yield of 26%, defined as the total growth in value of dividends and share price.

#### **Marketing will be the keynote of the 1990's**

During the 1980's, we concentrated mainly on building a competitive structure. The emphasis in the 1990's will be on becoming more market-driven. We must also respond faster to changes in our environment.

We are going to see a continued trend toward a global market in many of our product areas. This process will be accelerated by the coordination within the EC and the trade agreement between the US and Canada. The changes in Eastern Europe will offer additional

opportunities for expansion. Patterns of consumption in various countries are becoming increasingly more similar, which creates conditions for internationalization of our products and a further improvement in our production and distribution structures.

During the 1990's, public opinion and political decisions will have a growing effect on the conditions for our operations. This applies particularly to the environmental and energy sectors, where we will have to adapt to much more stringent demands from both consumers and public authorities. Our goal is to be the leading white-goods company in these respects. For example, in 1989 we achieved a 50% reduction of the freon content in the insulation of our European refrigeration products. Our goal is to eliminate the use of freon completely by 1995.

The Group will probably expand at a lower rate during the 1990's than in the past decade. We have now achieved a position as market leader in a number of areas and the opportunities for growth through acquisitions are thus more limited. This applies particularly to household appliances, where we should be able instead to achieve greater organic growth through new products and better positioning of our brand names.

However, we should be able to maintain a continued high growth rate in the areas of commercial appliances, outdoor products, commercial services and industrial products.

Although there are a number of short-term problems, I am very optimistic about the development of the Group over the next few years. As always, the greatest uncertainty is linked to the development of interest rates and the business climate. From a short-term point of view, we must expect a lower growth rate for our consumer capital goods in a number of important markets. I believe nevertheless that growth in the OECD countries will be good during the 1990's.

#### **Our financial goals are unchanged**

Our goal is still to maintain a return on equity over a business cycle of 30% before taxes. Dividends should continue to grow in proportion with equity. We also aim to reduce inventories and accounts receivable to 15% of sales. The Group's equity/assets ratio is expected to be at least 25% over the next few years.



Anders Scharp  
President and CEO

# GROUP OPERATIONS

## Weaker business conditions in the UK and the US, lower growth for private consumption

After seven years of strong international business expansion, 1989 marked a dampening of growth rates in the US, Canada and the UK. In contrast, growth continued to be good in West Germany, France and most of the other West European nations. The primary contributing factor to growth was high demand for capital investment goods. There was a downturn in private consumption in virtually all industrial countries as a result of high interest rates and higher inflation rates. One indication of the decline in private consumption was weaker demand for consumer capital goods.

The downturn in growth rates which began during the year is expected to continue through 1990. Of the major industrial nations, the US, Canada and the UK are expected to show the weakest growth rates. The other OECD countries will also probably show lower growth rates than in 1989.

## Rising costs and high inflation in Sweden

The growth rate for the Swedish economy was below the OECD average. Rising costs in combination with weak growth in productivity resulted in a deterioration in the competitive positions of Swedish export com-

panies. Problems of efficiency in the economy were revealed by a decline in the balance of payments and by higher interest rates, among other things.

The Swedish growth rate is expected to be about half the OECD average in 1990, and the inflation rate is expected to be substantially higher.

## Increase in sales - half from acquisitions

Group sales in 1989 amounted to SEK 84,919m (73,960), of which SEK 70,332m (61,069) or 83% (83) was outside Sweden. Half of the approximately 15% increase in sales refers to newly acquired units. For information on Group sales by country and geographical area, see pp. 58-59.

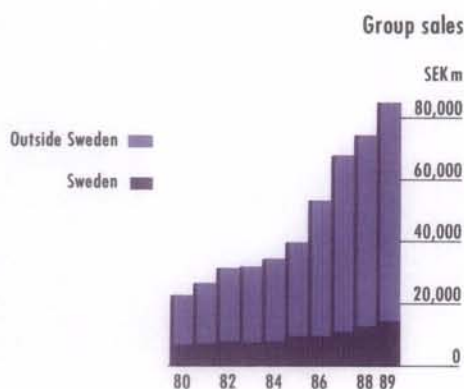
Exports from Sweden during the year amounted to SEK 7,233m (6,931), of which SEK 3,991m (3,697) referred to sales to own subsidiaries. The Swedish production units accounted for about 19% (21) of the total value of production.

## Higher operating income, but lower income after financial items

Group operating income before depreciation increased to SEK 8,302m (7,474). Operating income after de-

## Sales and income per quarter, SEK m

		Qtr 1	Qtr 2	Qtr 3	Qtr 4	Whole year	Annual change, %
Sales	1989	21,142	23,251	19,663	20,863	84,919	
	1988	17,109	18,962	18,018	19,871	73,960	+14.8
Operating income after depreciation	1989	1,327	1,556	1,084	1,314	5,281	
	1988	1,042	1,362	1,077	1,416	4,897	+ 7.8
Income after financial items	1989	871	1,123	668	946	3,608	
	1988	753	1,057	765	1,152	3,727	- 3.2



Sales have grown at an annual average of 19% over the past 10 years.



The return on net assets was 14.7% in 1989.



preciation increased by 7.8% to SEK 5,281m (4,897), which corresponds to 6.2% (6.6) of sales.

Income after financial items amounted to SEK 3,608m (3,727), which corresponds to 4.2% (5.0) of sales. Earnings per share after full tax and full dilution increased to SEK 35.20 (32.30). The increase is traceable to a lower tax burden than in the previous year.

The return on equity after full tax was 17.3% (18.6). The pre-tax return was 24% (29). The Group's goal is to achieve an average pre-tax return on equity of 30% in the course of a business cycle.

Earnings per share after actual taxes paid and full dilution amounted to SEK 35.70 (36.10). The total return, i.e. income after financial items less actual taxes paid, divided by shareholders' equity plus deferred tax on untaxed reserves, amounted to 16.0% (18.9).

#### Capital gains from divestments

Earnings for 1989 include net capital gains of SEK 504m on sales of several operations, most of which were divested during the fourth quarter of the year. After deductions for additional costs of SEK 300-400m

referring to delays and start-up problems in the major new production facilities, these items contributed a net of SEK 100-200m to earnings.

#### Operating income and profitability by business area

The year was marked by a continuous downturn in demand for consumer capital goods, which was accompanied by price competition, particularly in the UK and the US. Some dampening of demand was also noted in these countries within other product areas.

On the European Continent, demand was good in most of the Group's business areas with the exception of Italy, where a slight downturn was recorded in the white-goods market. In Scandinavia, Sweden in particular showed continued positive trends.

#### Household appliances report lower earnings and profitability

The white-goods market in the UK showed a substantial downturn, and the Group's sales volumes

#### Average annual growth, 1980-1989

Sales	18.8%
Income after financial items	14.7%
Equity	18.7%
Equity per share*	14.3%
Earnings per share after full tax*	15.7%
Dividend per share	15.3%
Trading price, B-shares	20.1%

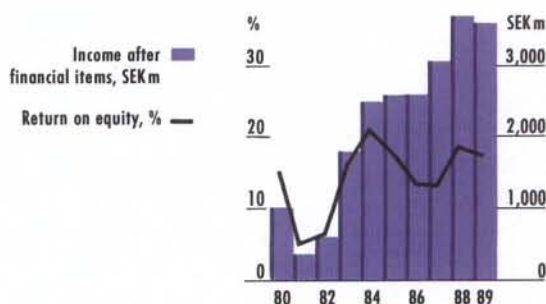
\* After full dilution for outstanding convertible debentures, i.e. total shares = 73.4 million.

#### Key ratios

	1989	1988
Earnings per share after full tax, SEK*	35.20	32.30
Earnings per share after actual taxes, SEK*	35.70	36.10
Return on equity after full tax	17.3%	18.6%
Total return on equity	16.0%	18.9%
Return on net assets	14.7%	17.4%

\* After full dilution for outstanding convertible debentures, i.e. total shares = 73.4 million. For computation of earnings per share, see Notes 5 and 6 on p. 44.

#### Income after financial items and return on equity



As of 1989, the return is computed after full tax, including 30% deferred tax. The figure for 1988 has been adjusted for the sake of comparison.

declined in this market. In Italy, sharp cost increases combined with a strong lira created an unfavorable situation for export of white goods from the Italian plants. In the US, sales volumes for White Consolidated's white goods increased somewhat despite lower overall demand, but earnings were adversely affected by increasingly severe price competition. Earnings for white goods were also charged with considerable additional costs referring to start-up of several new production facilities within the framework of the major investment program.

In the US, there was a considerable drop in demand for absorption refrigerators from the caravan industry. For sewing machines, increased costs for production in Sweden and lower sales of high-end products generated continued weak earnings. Improved earnings were achieved for air-conditioners during the second half of the year, however.

Operating income and profitability for this business area were lower than in the previous year.

*Unchanged earnings and lower profitability for commercial appliances*

Sales of food-service equipment continued to be good, and improvements were reported for both earnings and profitability. Increased sales were achieved for industrial laundry equipment in the European market, but earnings were adversely affected by lower exports to the US. High costs for production in Sweden and costs referring to divestment of the British operation led to considerably lower earnings for commercial refrigeration equipment.

Overall operating income for this business area was unchanged but profitability declined somewhat.

*Commercial services achieve better profitability*

Both product lines within commercial services reported good sales volume and earnings, and profitability and operating margins improved for this business area.

*Lower profitability for outdoor products a result of Roper acquisition*

Forestry equipment reported unchanged earnings over the previous year, as a result of a slight downturn in the market for chainsaws and increased costs for production in Sweden. Sales volume for garden equipment declined somewhat in Europe as a result of dry weather, while good volume was reported in the US. However, consolidation of the Roper operation, now called American Yard Products, had an adverse effect on profitability for this business area, as the goodwill purchased involved increases in depreciation and tied-up capital.

*Lower earnings for Gränges lead to lower profitability for industrial products*

Higher prices for supplies of aluminum oxide led to lower earnings for Gränges during the second half of the year. With the exception of the American industrial companies in White, other product lines reported improvements in earnings. Profitability and operating margin for this business area were lower than in the previous year.

**Sales and operating income by business area**

	Sales			Operating income after depreciation		
	1989 SEK m	1988 SEK m	Change, %	1989 SEK m	1988 SEK m	Change, %
Household appliances	43,682	41,088	+ 6.3	2,005	2,303	-12.9
Commercial appliances	7,662	6,695	+14.4	547	543	+ 0.7
Commercial services	3,890	3,336	+16.6	260	208	+25.0
Outdoor products	8,387	4,960	+69.1	698	548	+27.4
Industrial products	16,890	14,107	+19.7	1,059	1,123	- 5.7
Building components	4,408	3,774	+16.8	208	172	+20.9
Net contribution from major divestments	-	-	-	504	-	-
<b>Total</b>	<b>84,919</b>	<b>73,960</b>	<b>+14.8</b>	<b>5,281</b>	<b>4,897</b>	<b>+ 7.8</b>

### Improved earnings and profitability for building components

Continued good business conditions in the Swedish construction market led to improved earnings for both building materials and the Swedish kitchen-cabinet operation. Profitability for this business area improved. The Beijer Byggmaterial operation was sold as of December 31, 1989 and is thus included in earnings for 1989.

### Earnings and financial position according to US accounting principles (US GAAP)

The table below summarizes the Group's approximate earnings and financial position according to US GAAP. For additional information and a description of the most important differences between US and Swedish accounting practices, see Note 17, p. 47.

Electrolux also submits an annual Form 20-F report to the SEC (US Securities and Exchange Commission).

### Goodwill

Following vigorous expansion during the 1970's and 80's, about 80% of Electrolux production and sales are now outside Sweden. The US is the Group's largest single market.

Acquisitions play a major role in the Group's expansion. These occur in competition with foreign companies, some of them in the US, which may apply accounting principles that differ from those in Sweden, e.g. regarding goodwill.

The goodwill arising from the acquisition of White Consolidated, Zanussi and American Yard Products is not a payment solely for acquired existing profit po-

tential, but also for an opportunity to increase these companies' profits through the Group's own efforts. It is also a payment for the right to use a number of well-known and long-established brand names. The useful life of these brand names is expected to be substantially longer than the depreciation period for goodwill according to normal Swedish accounting practice.

American practice has been applied for the goodwill arising from the acquisition of White, Zanussi and American Yard Products, i.e. depreciation is being booked over useful life of between 0 and 40 years. In the US, the maximum depreciation period of 40 years is often applied for acquisitions comparable with the above. Estimated useful life is reevaluated annually to determine whether an abridgement is necessary. See also the description of accounting principles on p. 41.

### Financial position

Net Group assets, i.e. total assets less liquid funds and all non-interest-bearing liabilities, including 30% deferred tax on untaxed reserves, amounted to 46.9% (40.7) of sales at year-end.

Net assets include assets referring to customer financing in the amount of SEK 1,267m (1,025).

Group liquid funds at year-end amounted to SEK 4,013m, which corresponds to 4.9% (5.3) of sales.

### Inventories and accounts receivable

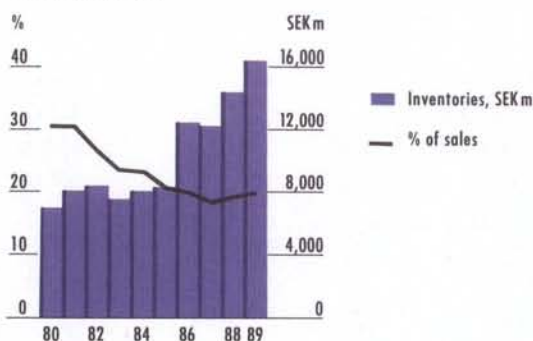
Since the start of the 1980's, the Group has applied a comprehensive program aimed at reducing the capital tied up in operations. Expressed as a percentage of sales, inventories have been reduced from around 30%.

### Values according to US GAAP

	1989	1988
Net income, SEK m	2,291	2,103
Net earnings per share, fully diluted, SEK	31.20	28.60
Equity, SEK m	14,648	12,807
Total assets, SEK m	65,736	57,407
Debt/equity ratio, %*	55	54

\* Long-term liabilities in relation to long-term liabilities plus shareholders' equity.

### Group inventories



Inventories corresponded to 19.9% of sales in 1989, as against 19.0% in the previous year.

A substantial reduction in accounts receivable has also been achieved. The goal is to reduce both inventories and accounts receivable to 15% of sales. In 1989, inventories corresponded to 19.9% (19.0) and accounts receivable for 17.7% (18.1) of sales. The increase in inventories is traceable to divestment of a number of operations and a build-up of stocks of white goods resulting from a decline in demand.

#### Interest-bearing liabilities

At year-end 1989 the Group's total interest-bearing liabilities amounted to SEK 25,276m (21,009), of which PRI pension liabilities accounted for SEK 1,628m. The ratio of total interest-bearing liabilities to adjusted equity has thus increased from 1.41 to 1.48. Long-term loans accounted for 61% (61) of these liabilities. Of the long-term loans, 70% (65) were raised at fixed interest rates.

#### Net financial items

Following a rise in 1988, US interest rates peaked at the start of 1989 and then declined. Interest rates for Continental currencies continued to rise throughout the year and increased by about 2.5 percentage points.

Net Group financial items amounted to SEK -1,673m (-1,170), which corresponds to 2.0% (1.6) of sales. The decline in net financial items is traceable mainly to the acquisition of American Yard Products and the current major investment program. Higher interest rates in comparison with 1988 also comprised a contributing factor.

#### Currency exposure

The Group's currency exposure is generated primarily by currency flow resulting from transactions between

Group companies and by translations in connection with consolidation of foreign subsidiaries.

The Group's geographically widespread production involves reciprocal currency flows which counteract the effects of exchange fluctuations. The exposure generated by the internal currency flow is reduced by a netting system which enables continuous monitoring of the flow and appropriate action in the event of changes in positions.

Exchange differences arising from short-term commercial receivables and liabilities in foreign currencies are included in operating income.

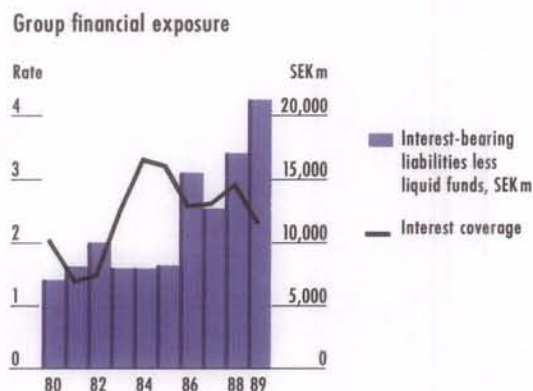
Net exchange differences on loans and borrowings in 1989 amounted to SEK 72m (-52). As in previous years, exchange losses on long-term loans have not been amortized, but have been charged against income.

The net of assets and liabilities in foreign subsidiaries comprises a net investment in foreign currency and generates a translation exposure. As a hedge against fluctuations in exchange rates, the parent company's foreign loans are raised as far as possible in the same currencies as this net investment. This means that the reduced value of a net investment generated by a decline in an exchange rate is offset to some extent by exchange gains on parent company loans in the same currency. Some net exposure is unavoidable, however, as the net investment outside Sweden is greater than the parent company's total borrowing and it is difficult to raise loans in some currencies.

Net translation differences in 1989 arising from consolidation of foreign subsidiaries amounted to SEK 169m (216) after adjustment for unrealized exchange gains in the parent company less estimated taxes on these gains. These differences have been taken directly to equity in the consolidated balance sheet and have thus had no effect on net income for the year.



Accounts receivable were reduced to 17.7% of sales in 1989.



High interest costs referring to the Roper acquisition and the major investment program led to a lower interest coverage rate in 1989.

Translation losses referring to countries with highly inflationary economies are charged against operating income. See also the section on accounting principles, p. 41.

#### Equity

At year-end 1989, Group equity amounted to SEK 17,025m (14,873), and total risk-bearing capital to SEK 19,062m (17,408). Shareholders' equity and risk-bearing capital per share, fully diluted for outstanding convertible debentures, had increased by year-end to SEK 232 (203) and SEK 260 (238), respectively.

#### Convertible debenture loan

Electrolux has one debenture loan outstanding, Loan IV, which had a par value of SEK 42m as of December 31, 1989. The interest rate is 10% and the conversion rate is SEK 60. This loan has been eligible for conversion since January, 1982.

The loan matures on December 15, 1990. From that date onward debentures will be redeemed only at par value, which means that the holders will lose the value increment that has been generated over the life of the loan.

If all outstanding convertible debentures in Loan IV are converted, the number of shares will increase by 702,868 to 73,436,348.

#### Equity/assets ratio

The equity/assets ratio improved in 1989 to 26.9% (26.2). Within the framework of the Group's current focus of operations, market positions and geographical distribution, the goal is to maintain this ratio at a minimum of 25%.

#### High rate of investment continues in 1989

Group capital expenditure in 1989 amounted to SEK 5,389m (4,772), of which SEK 1,221m (1,321) referred to Sweden. Capital expenditure thus corresponded to 6.3% (6.5) of total sales.

The greater part of capital expenditure in both 1988 and 1989 referred to the current major projects for white goods. During 1989 the modernization of the refrigerator plant in Susegana, Italy was completed, representing a total investment of about SEK 600m. In addition, a new refrigerator plant was completed in Anderson, South Carolina and a new dishwasher plant in Kinston, North Carolina, both in the US, which represent investments of approximately SEK 600m and SEK 500m, respectively.

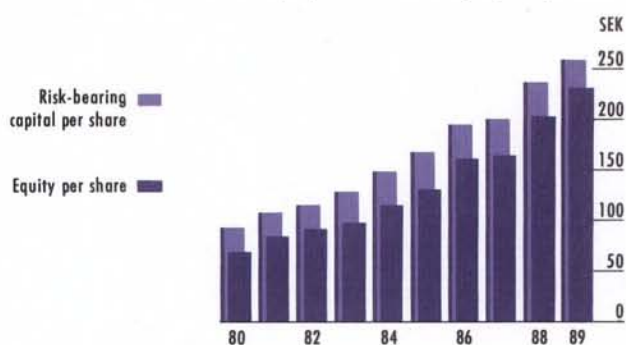
In the washing-machine product area, the first stages of the modernization of the plants in Porcia, Italy and Webster City, Iowa, US were completed. Both of these projects are scheduled for completion in 1990 and represent a total investment of about SEK 1,400m.

#### Acquisitions and divestments

At the end of June an agreement was reached on acquisition of the West German Buderus Group's operations for cookers, food-service equipment and industrial laundry equipment. In 1988 these operations reported combined sales of about SEK 1,550m and had 2,400 employees. The acquisition represents a complement to the Group's product range and strengthens the Group's market position in West Germany. The industrial laundry equipment operation, which is run through Senkingwerk GmbH, was consolidated as of July 1, 1989 and the other operations as of January 1, 1990.

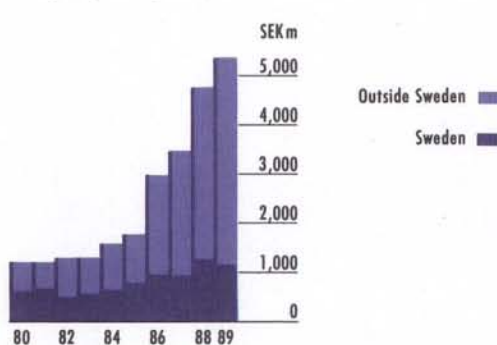
Several smaller operations were also acquired during 1989 in commercial appliances, commercial services and building materials.

Equity and risk-bearing capital per share



Equity per share has grown at an annual average of about 14% over the past 10 years.

Group capital expenditure



Capital expenditure has increased strongly in recent years and amounted to SEK 5,389m in 1989.

At the end of August an agreement was signed with the Sharp Corporation in Japan for distribution of Electrolux white goods in the Japanese market.

At the start of 1990 an operation for portable electric garden equipment was acquired from Allegretti & Co. in the US, the leading company in this field in America, with annual sales of about SEK 450m. The acquisition complements the Group's operations in the US subsidiary Poulan/Weed Eater, which also operates with portable garden equipment.

A number of operations were divested in 1989 in the interest of streamlining the Group's structure. Operations sold during the third quarter comprised sterilization and disinfection equipment, the Gränges subsidiary Korrugal, a building-sheet operation, and the Group's window production. The Beijer Byggmaterial operation was sold at year-end. Total sales for the divested units amount to about SEK 4,000m.

During the fourth quarter the Group sold its shareholding (50%) in Bilfragmentering AB, Sweden. The Zanussi holding (45%) in the Italian TV-producer Seleco S.p.A. was also sold.

These major divestments contributed a net of about SEK 500m to earnings.

#### **Mining of ore in LAMCO is discontinued**

Mining of ore was discontinued in 1989 by Lamco Joint Venture, of which LAMCO (Liberian American-Swedish Minerals Company) owns 75%. The Group's previous guarantee has been cancelled, as LAMCO has repaid the loan to which the guarantee referred.

#### **Parent company**

Sales for the parent company in 1989 amounted to SEK 4,446m (4,323), of which SEK 3,032m (3,053) referred to sales to Group companies and SEK 1,414m (1,270) to external customers.

Following allocations of SEK -165m (-92) and taxes of SEK -18m (-92), the parent company reported earnings of SEK 966m (870). The Board proposes a dividend for 1989 of SEK 12.50 (11.50) per share, for a total dividend payment of SEK 909.2m (833.3).

A summary of the parent company's annual accounts is given on p. 49.

#### **Continued development of financial operations**

Financial operations in Electrolux are divided into a corporate treasury department and a business area for capital management and financial services.

The corporate treasury department is responsible for management of the Group's currency positions, the netting system and most long-term borrowings.

The capital management business area has the task of managing most of the Group's liquid funds. This also involves application of the Group's various loan instruments for interest arbitrage operations. Other responsibilities include raising loans to foreign Group subsidiaries as well as extensive foreign exchange dealings.

The Group's short-term borrowings and cash management are coordinated through Electrolux Finance Corporation B.V. in The Netherlands, which has an affiliate in Zurich. The company is the center of an international cash-pool system aimed at making the most effective use of the Group's liquidity. The Group also maintains financial centers in its major markets in Western Europe and North America.

Financial operations also comprise several companies whose primary task is to support industrial operations. These include operations for leasing and rental of the Group's industrial products in Sweden, The Netherlands, the UK and France. A new leasing company was started during the year in Italy, where the Group also runs a factoring operation in Veneta Factoring S.p.A.,

mainly to facilitate financing for its Italian suppliers. Development of services to facilitate financing for retailers and end-users continued during the year in Sweden and other countries. Among other things, this involved establishment of the WCI Acceptance Corporation in the US in order to finance the Group's American dealers.

Protection against various types of risk exposure for the Group is coordinated in the Risk Management function, in which three own insurance companies are integrated. Two of these, Electrolux Försäkringsaktiebolag in Stockholm and the Equinox Insurance Co. in Vermont, USA have charters for direct insurance and reinsurance. The other company, Electrolux Reinsurance Luxembourg S.A., is devoted exclusively to reinsurance. These companies reported good earnings in 1989.

#### Loans raised during the year

The Group was active in the international capital market during the year. Among other things, this involved issuing bond loans totalling more than SEK 3,000m, which included the following:

- USD 125 million (approx. SEK 775m), 5 years at 9 1/2% p.a.
- USD 100 million (approx. SEK 620m), 7 years at 10% p.a.
- ITL 125 billion (approx. SEK 600m), 5 years at 12 5/8% p.a.
- GBP 50 million (approx. SEK 500m) 1 year at 11 3/5% p.a.
- SEK 500 million, 3 years at 11 1/4% p.a.
- LUF 300 million (approx. SEK 50m), 3 years at 8 3/4% p.a.

As in previous years, a number of swaps were arranged, mainly for conversions to USD.

Medium-term notes were issued on favorable terms within the framework of the Group's Medium-Term Notes and Multi-Tranche Tap Facility.

Short-term loans were arranged primarily through various types of Group certificates. The American program was expanded to USD 300m (approx. SEK 1,850m), with P-1 and F-1 ratings.

#### Acquisitions lead to increase in number of employees

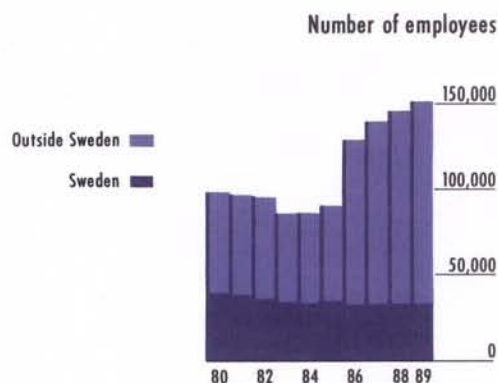
In 1989 the total average number of Group employees increased to 152,913 (147,192), of whom 30,090 (30,103) were in Sweden. Acquisitions, primarily American Yard Products in the US, accounted for 4,414 of the increase of 5,721.

In the course of the year the number of personnel was reduced by about 4,800, mainly in the white-goods operations in the US, the UK and Italy as a result of adjustments of capacity in response to lower demand in these markets. Divestment of operations involved a personnel reduction of 2,094. The Beijer Byggmaterial operation was sold as of December 31, 1989 and its 1,332 employees are therefore included in the figures for the year.

For information on the number of employees by country and region, see pp. 58-59.

Wages, salaries and remuneration totalled SEK 17,458m (15,257), of which SEK 3,930m (3,638) referred to Sweden. See also Note 18, p. 48.

A specification of salaries and the number of employees is given in the separate report for the parent company.



The average number of Group employees rose to 152,900 in 1989 as a result of acquisitions.

# ELECTROLUX SHARES

Electrolux A- and B-shares have been listed on the Stockholm Stock Exchange since 1930. B-shares are also listed in London (since 1928), Geneva (1955), Oslo (1981), Paris (1983), Zurich (1987) and Basel (1987). Since July 1, 1987, B-shares have also been listed in the US through the NASDAQ system in the form of ADR's (American Depository Receipts). One ADR corresponds to one B-share.

At year-end 1989 the market capitalization of Electrolux was approximately SEK 20.4 billion.

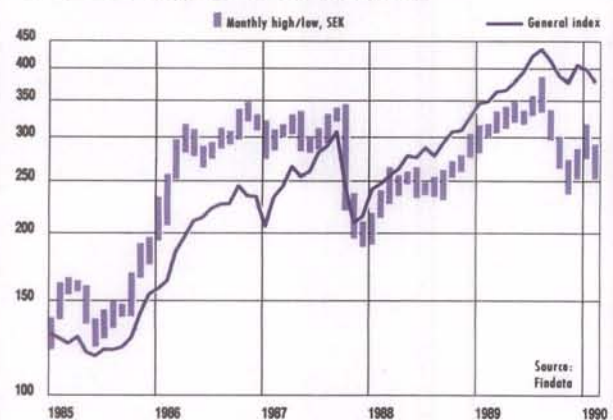
Approximately 14.1 million Electrolux shares were traded on the Stockholm Stock Exchange in 1989 to a value of SEK 4.4 billion. This represented about 3.9% of the total trading volume on the Stockholm Stock Exchange, which was about SEK 112.8 billion in 1989.

A total of 25.9 million Electrolux shares were traded on the London Stock Exchange in 1989. A total of 3.5 million ADR's were traded through NASDAQ. Trading volume on other exchanges was considerably lower.

## Trading volume for Electrolux shares

('000)	1989	1988
Stockholm	14,092	19,789
London	25,922	19,327
New York (ADR's)	3,526	4,598

## Price of Electrolux B-shares on the Stockholm Stock Exchange, 1985-February, 1990



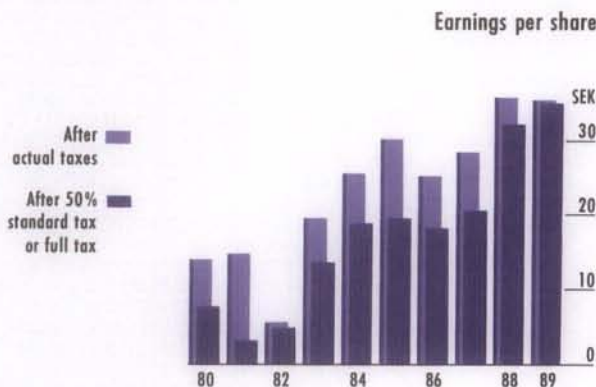
## Per-share data

	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980
Year-end price, SEK	280	293	193	311	194	121	119	60	41	44
Equity per share, SEK	232 <sup>1)</sup>	203 <sup>1)</sup>	164	161	131	115	98	92	85	70
Trading price/equity, %	121 <sup>1)</sup>	154 <sup>1)</sup>	118	193	148	105	121	65	48	63
Dividend, SEK	12.50 <sup>2)</sup>	11.50	10.00	8.75	7.50	6.50	5.50	4.50	4.00	3.75
Direct yield, %	4.5	3.9	5.2	2.8	3.9	5.4	4.6	7.5	9.8	8.5
Change in price during the year, %	-4	52	-38	60	60	2	98	46	-7	-2
P/E ratio <sup>3)</sup>	8.0	9.1	6.7	12.1	6.4	4.7	6.0	10.2	2.7	3.1

1) The principle applied for computing this value was changed in 1989. The figure for 1988 has been adjusted accordingly.

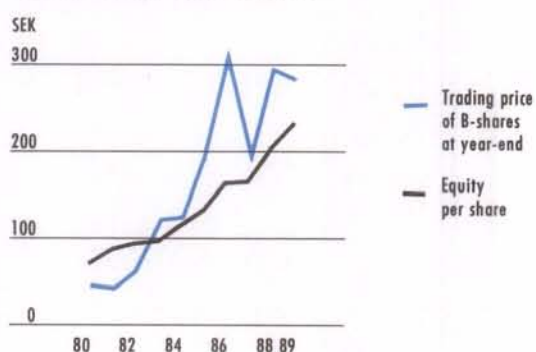
2) Proposed by the Board.

3) Trading price in relation to earnings per share after full dilution. For 1988 and 1989, this value is based on earnings per share after full tax, and for 1980-1987 on earnings per share after actual taxes paid according to the partial method.



As of 1989, the concept of earnings per share after 50% standard tax has been replaced by earnings per share after full tax. The figure for 1988 has been adjusted for the sake of comparison.

## Trading price and equity per share



Since 1983, Electrolux shares have traded at higher prices than the equity per share.



## DIVIDEND POLICY

The Group's goal is for dividends to shareholders to increase in general proportion to the growth of equity. Over the past ten years, equity per share has grown at an average annual rate of 14.3%. The dividend has increased by 15.3% annually over the same period.

## EFFECTIVE YIELD

The effective yield indicates the actual profitability of an investment in shares and comprises dividends received plus changes in trading price.

Over the past ten years, the average annual effective yield of an investment in Electrolux shares has been 26.1%.

## SHARE CAPITAL

On December 31, 1989 there were 2,000,000 Electrolux A-shares and 70,677,932 B-shares, each with a par value of SEK 25.

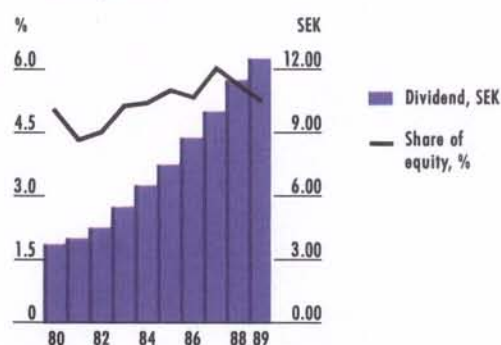
Total share capital at year-end including 55,548 converted but unregistered B-shares amounted to SEK 1,818.3m.

2,000,000 A-shares	SEK 50.0m
70,677,932 B-shares	SEK 1,766.9m
55,548 unregistered B-shares (converted debentures)	SEK 1.4m
<b>Total share capital</b>	<b>SEK 1,818.3m</b>

## Major shareholders

	Number of shares	Share capital, %	Voting rights, %
ASEA	7,758,976	10.67	48.62
Sparbankernas investment funds	4,615,862	6.35	0.22
Fourth National Pension Insurance Fund	3,993,354	5.49	0.19
Skandia	3,955,952	5.44	0.19
Trygg-Hansa	3,816,668	5.25	0.18
SPP	3,631,351	4.99	0.18
Folksam	1,465,000	2.01	0.07
AMF Pension funds	1,460,695	2.01	0.07
Investor	1,231,278	1.69	35.31
S-E-Banken investment funds	973,283	1.34	0.05
Svenska Handelsbanken investment funds	953,400	1.31	0.05
Länsförsäkring investment funds	816,018	1.12	0.04
Export-Invest	808,333	1.11	0.04
⋮			
Providentia	205,200	0.28	9.91

Dividend per share



The dividend has grown at an annual average of more than 15% over the past 10 years.

A-shares carry one vote and B-shares 1/1000 of a vote. All shares entitle the holder to the same proportion of assets and earnings.

The number of B-shares increased in 1989 by 273,787 through conversion of debentures. Conversion of all outstanding debentures would increase the number of shares to 73,436,348.

#### Change in share capital 1980-1989

	Total share capital, SEK m	Of which through conversion	
1980	1,239		Bonus issue 1:4
1981	1,272	33	
1982	1,286	14	
1983	1,308	22	
1984	1,369	61	
1985	1,512	143	Split 2:1
1986	1,775	63	New issue*
1987	1,803	28	
1988	1,812	9	
1989	1,818	6	

\* New issue of 8 million B-shares outside Sweden, total value at par SEK 200m.

#### CONVERTIBLE DEBENTURE LOAN

Electrolux has one debenture loan outstanding, Loan IV, which had a par value of SEK 42m as of December 31, 1989. The interest rate is 10% and the conversion rate is SEK 60. This loan has been eligible for conversion since January, 1982.

Loan IV matures on December 15, 1990. From that date onward debentures will be redeemed only at par value, which means that the holders will lose the value increment that has been generated over the life of the

loan. Owners of convertible debentures should therefore consider converting them, which can be done through any Swedish bank.

If all outstanding convertible debentures in Loan IV are converted, the number of shares will increase by 702,868 to 73,436,348.

#### Distribution of shareholdings

Share-holding	No. of shareholders	As % of shareholders
1-1,000	64,740	95.3
1,001-10,000	2,795	4.1
10,001-100,000	315	0.5
100,001-	79	0.1
Total	67,929	100.0

The above information is based on the register of shareholders in AB Electrolux at the Swedish Securities Exchange Center for directly registered shares as of February, 1990 and for shares registered through trustees as of August, 1989.

#### ELECTROLUX AKTIESPARFOND AND ALLEMANSFOND

Savings plans based on Electrolux shares have been open to employees in the Group's Swedish companies since July 1, 1981, first through the Electrolux Aktiesparfond and subsequently through the Electrolux Allemansfond.

Shares in the Electrolux Allemansfond were withdrawn and distributed at the start of 1989, and the fund has thus been discontinued. At year-end 1989 there were 3,974 shareholders in the Allemansfond, with total holdings of 184,700 shares. Loans raised by employees to acquire shares totalled SEK 17.8m.

#### Electrolux convertible loan outstanding as of December 31, 1989

Year issued	Par value, SEK	Interest rate	Total value at par, Dec. 31, 1989 SEK '000	Original value at par, SEK '000	Conversion rate, SEK	No. of shares after full conversion
Loan IV* 1980	100	10%	42,172	662,725	60	702,868

\* Issued in connection with the acquisition of Gränges.

# HOUSEHOLD APPLIANCES



The new refrigerator/freezer units feature 0°C compartments which keep food fresh much longer. Other new features in the European models include icemakers and beverage dispensers.



*Sales of household appliances in 1989 amounted to SEK 43,682m (41,088). Operating income after depreciation declined to SEK 2,005m (2,303), mainly as a result of lower earnings for white goods. Operating margin declined to 4.6% (5.6).*

## WHITE GOODS

Electrolux is one of the world's largest manufacturers of white goods. The Group is the market leader in Europe and as owner of White Consolidated is the third largest white-goods company in the US.

## Sales and profitability

Sales in 1989 amounted to SEK 32,482m (30,359). White goods thus accounted for 38% of total Group sales. Earnings declined and profitability was unsatisfactory.

The decline in earnings is traceable primarily to lower volumes and lower earnings in the UK and the US. In addition, considerable additional costs arose in connection with start-up of several new production facilities within the framework of the current major investment program. In Italy, sharp cost increases together with a strong lira created an unfavorable situation for exports from the Italian plants.

Improved earnings were reported by the French operation and by Corberó and Domar in Spain.

## Operations in Europe

With the exception of a pronounced decline in the UK, demand for white goods continued to be good in the European market. Some dampening of demand was shown in both Italy and Spain during the second half of the year, however. In the Nordic countries, Sweden in particular showed good growth. The British market, which declined by about 15% inclusive of microwave ovens, showed severe price competition.

The Group achieved good sales volume, particularly for refrigeration equipment, washing machines and various types of built-in units. Sales increased in Sweden, Finland, The Netherlands, Switzerland, Italy, Spain and other countries. There were no significant changes in the Group's market shares.

The European market for 1989 was estimated at almost 56 million units, of which microwave ovens accounted for about 14%. Demand refers mainly to replacement buying, with the exception of dishwashers and microwave ovens. Other product areas also show growth, although it is limited to specific segments. For example, demand for traditional free-standing cookers

is declining, while it is increasing for hobs and built-in ovens. On the whole, demand for built-in products has increased in recent years as a result of the growing interest in high-end products. The European market is less structured than the US and features a large number of manufacturers. Restructuring of production continued during the year, however.

## Capital expenditure and acquisitions in Europe

A comprehensive investment program is currently being implemented for white goods. It consists primarily of five new production facilities as well as development of new generations of products. The new facilities, to which production will gradually be transferred from existing plants, do not represent any significant expansion of total production capacity.

In the course of the year the modernization of the refrigerator plant in Susegana, Italy was completed, representing an investment of over SEK 600m. The first stage of the modernization of the washing-machine plant in Porcia, Italy was also completed. The second stage is scheduled for completion at year-end 1990. The total investment in this plant amounts to about SEK 900m.

In Spain, restructuring of production continued within the Group's previous operation in Ibelsa and the Corberó and Domar companies, which were acquired in 1988. Production of refrigerators was concentrated during the year to the Ibelsa plant in Logroño, where a project representing an investment of about SEK 80m was initiated.

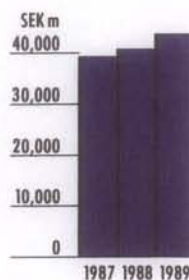
During 1989 an agreement was reached for acquisition of the West German Buderus Group's operation for production of cookers, which has annual sales of about SEK 1,000m. The acquisition was consolidated as of January 1, 1990 and involves a complement to the Group's product range as well as reinforcement of its market position in West Germany.

Share of total  
Group sales 51.4%

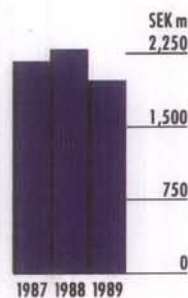


### Household appliances

	SEK m	%
White goods	32,482	74
Floor-care products	5,542	13
Leisure appliances	2,048	5
Room air-conditioners	2,220	5
Sewing machines	760	2
Other	630	1
	43,682	100



	1987	1988	1989
Sales, SEK m	39,487	41,088	43,682
Operating income after depreciation, SEK m	2,187	2,303	2,005
Operating income as % of sales	5.5	5.6	4.6



### **Operations in the US**

Unit sales in the US market declined by about 4%, mainly with regard to freezers, dishwashers, electric cookers and microwave ovens. The Group's total market share increased somewhat over the previous year. Earnings declined as a result of costs referring to restructuring and the major investment program as well as the increasing severity of price competition.

The US market in 1989 was estimated at about 36 million units, of which microwave ovens accounted for about 27%. Demand refers mainly to replacement buying. The four largest manufacturers account for about 80-90% of total production.

### **Capital expenditure in White**

During the second half of the year a new refrigerator plant in Anderson, South Carolina and a new dishwasher plant in Kinston, North Carolina were completed, representing investments of about SEK 600m and SEK 500m, respectively. The first stage of the modernization of the washing-machine plant in Webster City, Iowa was also completed. This project is scheduled to be largely completed in 1990, and represents a total investment of about SEK 500m.

### **Increased emphasis on marketing**

The comprehensive restructuring and the major investments in new products and production facilities that have been implemented in recent years will generate an improved cost structure in the long term. Efforts to achieve additional coordination of product designs and components are continuing.

During the next few years, emphasis will be given primarily to marketing, in order to obtain better utilization of the Group's various brand names through new and more differentiated product lines. Considerable emphasis will also be given to measures aimed at

meeting stricter criteria for environmental impact and energy consumption.

### **Reduced consumption of freon**

During 1989 the freon content of insulation in the Group's European refrigeration products was reduced by 50%. Comprehensive efforts are now in progress together with major chemical companies to find a replacement for freon which will not entail increased energy consumption. The Group's goal is to eliminate the use of freon completely by 1995.

Electrolux has also developed a method for avoiding leakage of freon during repair of refrigeration equipment. A cooperative project has also been initiated between the white-goods product line and Gränges' recycling operation in order to develop technology for recovering freon from scrapped refrigerators and freezers. This project is being run in cooperation with the Swedish Environmental Protection Agency, and the first plant for this purpose is expected to go on-stream in 1992.

### **FLOOR-CARE PRODUCTS**

After white goods, floor-care products comprise the largest operation within household appliances. Electrolux has long been the world's leading manufacturer and has a global market share of about 20%.

Operations in the US are run through the Eureka subsidiary, which has a market share of about 20%.

### **Sales and profitability**

Sales in 1989 amounted to SEK 5,542m (5,466). Profitability was satisfactory.

Group sales increased during the year in the US, but declined in the UK, France and West Germany.

Earnings were adversely affected by large investments in new generations of products and new techno-

The Volta F1 is one of the Group's new vacuum cleaners. With greater suction and lower noise levels, this model also has a convenient built-in storage space for accessories.



logy, and by delays in launchings of new models. In addition, the French direct sales organization is to be replaced by a franchising system, and a cost-intensive reorganization for this purpose was started at the close of the year.

#### **The market**

The world market for floor-care products in all product segments is estimated at about 33 million units, of which Europe and the US account for about one-third each. Demand for traditional floor-care products in the West has stagnated, which has led to increased price competition. Market growth in recent years has occurred primarily at the low end of the market and in compact machines and smaller models for light cleaning. Carpet washers have also shown

good growth, mainly in the US and the UK. In descending order of volume, the Group's markets are: the US, the UK, France, the Nordic countries, Italy, Australia, West Germany, Switzerland and Japan.

The major brand names are Eureka, Electrolux, Progress, Tornado, Volta and Alfatec. Sales are channelled mainly through dealers and own shops. Direct sales account for about 14% of total sales volume.

#### **Production**

Production is located mainly in the US, the UK, Sweden, France, Italy and West Germany. The Group also operates a number of small plants in South America and Southeast Asia.

### **LEISURE APPLIANCES**

Electrolux has long been the world's leading manufacturer of absorption refrigerators for caravans, hotel rooms and other applications. This product line also includes other products for leisure vehicles, including awnings and air-conditioners.

#### **Sales and profitability**

Sales in 1989 amounted to SEK 2,048m (1,881). Profitability was satisfactory.

Sales and profitability declined as a result of a sharp downturn in demand for refrigerators and other equipment for caravans in the US. In contrast, demand for these products in the European market continued to be good. Good sales continued to be reported for hotel-room refrigerators in Europe and the US. The Group's market shares increased somewhat over the previous year.

#### **Major markets and production**

The major markets for this product line are the US, Canada, West Germany, the UK, France, Australia Japan.

Production is located mainly in Sweden, Luxembourg, West Germany, the UK and the US.

In the autumn, production of absorption refrigerators in West Germany was moved to a newly built plant, which also provides greater production capacity.

## ROOM AIR-CONDITIONERS

Group operations in air-conditioning are concentrated in White Consolidated in the US, which is one of the country's largest manufacturers and has a market share of about 20%.

### Sales and profitability

Sales in 1989 amounted to SEK 2,220m (1,885). Profitability improved somewhat but was still unsatisfactory.

There was good growth in demand and sales volumes for White increased. Higher costs for materials and delays of new models involved continued weak earnings, however, although some improvement was recorded after the introduction of the new year's models in August.

### The market

The world market for the type of equipment manufactured by White is estimated at about 12 million units, of which the US accounts for almost 40%. Japan is the second largest market. The US market features a large share of imports from Southeast Asia, Brazil and other sources.

White's brand names are White-Westinghouse, Frigidaire, Gibson and Kelvinator. The company's products are also sold under private brands. The transfer of all production to the company's plant in Edison, New Jersey was completed during the year.

## SEWING MACHINES

This product line consists primarily of technically advanced sewing machines for the high end of the market, in which the Group has a world market share of about 20%. Overlock machines and externally manufactured low-end products for the US market are accounting for a growing share of sales volume.

### Sales and profitability

Sales in 1989 amounted to SEK 760m (775). Profitability was unsatisfactory.

Earnings and profitability declined as a result of cost increases for Swedish production as well as reduced demand for and sales of high-end products. Unfavorable trends for direct sales in France and Japan also comprised a contributing factor. In contrast, sales volume and earnings continued to be positive in North America.

### The market

The world market for electric free-arm machines in all price segments is estimated at about 4 million units. In recent years this market has been relatively constant. The Group is one of the five largest manufacturers. The main competitors are companies in Japan, Taiwan, West Germany and Switzerland.

The major markets for this product line are the US, the Nordic countries and France. Sales are channelled primarily through dealers, but a small share is distributed through direct sales and department stores. The major brand names are Husqvarna and Electrolux, along with Viking and White in the US.

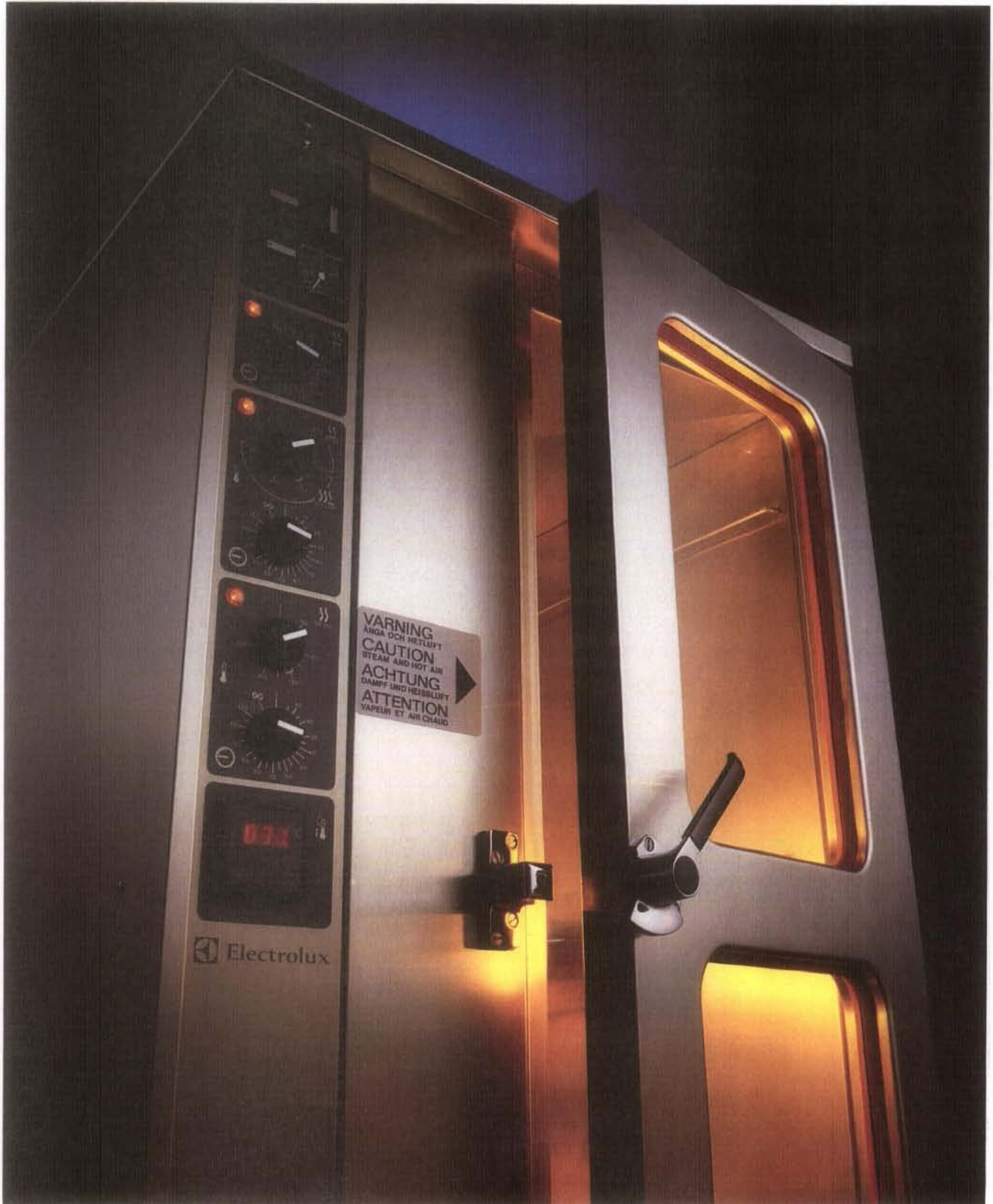
### Production

Production and product development are located in Huskvarna. Production capacity was adjusted during the year, and this is expected to provide a better cost situation in 1990.

# COMMERCIAL APPLIANCES



The Electrolux CombiMatic convection oven gives the professional user access to four methods of preparing food in a single oven - steam, low-temperature steam, hot air and a combination of steam and hot air.





Sales of commercial appliances in 1989 amounted to SEK 7,662m (6,695). Operating income after depreciation amounted to SEK 547m (543). Earnings for this business area were adversely affected primarily by a substantial deterioration in income for commercial refrigeration equipment and reduced sales volumes for industrial laundry equipment in the US market. The operating margin was 7.1% (8.1).

## FOOD-SERVICE EQUIPMENT

Electrolux is the leading European manufacturer of food-service equipment and is the second largest in the world. The Group has substantial market shares, particularly in the Nordic countries, Italy, Switzerland, France and the UK.

### Sales and earnings

Sales increased by 18% to SEK 3,691m (3,129), of which food and beverage vending machines accounted for SEK 294m (247). Almost one-third of the increase in sales refers to acquisitions. There was a marked improvement in earnings and profitability continued to be good.

Demand in the European market was relatively good, and the Group's sales volumes increased in Spain, France, Austria and other countries. Sales of food and beverage vending machines continued to show good growth.

### The market

The total European market for food-service equipment is stagnating, although demand is increasing in specific segments. The markets in the US and Asia show some growth. The world market features a few

large international companies and many small local producers.

The Group's products are marketed on a unit basis by dealers as well as in the form of projects comprising everything from design and planning to installation, service and training.

### Acquisitions

During the second half of the year an agreement was reached for acquisition of the West German Buderus Group's operation for production of food-service equipment, which has annual sales of about SEK 400m. This operation has been consolidated as of January 1, 1990. Smaller operations were acquired during the year in France, The Netherlands, Italy, Denmark and the US.

### Production

The greater part of production is located in Sweden, the UK, France, Switzerland and Italy.

## INDUSTRIAL LAUNDRY EQUIPMENT

Electrolux-Wascator is the world's leading manufacturer of laundry equipment for such applications as apartment-house laundry rooms, coin bars, hotels and institutions. In recent years the product range has been expanded with heavy-duty equipment for industrial laundries and with products for dyeing and processing of textiles.

### Sales and profitability

Sales in 1989 amounted to SEK 1,757m (1,384). The increase in sales is traceable primarily to acquisitions. Profitability was very good.

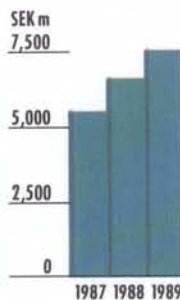
This product line showed continued good performance in the European market, as sales increased in a

Share of total  
Group sales 9.0%

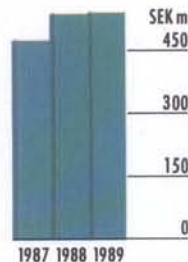


### Commercial appliances

	SEK m	%
Food-service equipment	3,691	48
Industrial laundry equipment	1,757	23
Commercial refrigeration equipment	1,055	14
Commercial cleaning equipment	866	11
Sterilization and disinfection equipment	293	4
	7,662	100



	1987	1988	1989
Sales, SEK m	5,619	6,695	7,662
Operating income after depreciation, SEK m	484	543	547
Operating income as % of sales	8.6	8.1	7.1



number of countries including the UK, France, West Germany and Finland. In Asia, good growth in sales was recorded primarily in Japan.

On the other hand, sales volume in the US declined during the year as a result of lower demand, in particular for coin bar equipment, as well as increased competition. All important competitors now offer a range of front-loaded washing machines for this market segment.

### **The market**

The total world market for light as well as heavy-duty industrial laundry equipment is estimated at about SEK 10 billion, of which the US accounts for about 50%. The market shows only low growth.

The Group has strong market positions in the Nordic countries, the US, the UK, France, Italy, Austria and Japan.

### **Acquisitions**

In the course of the year the Group acquired Senkingwerk GmbH in West Germany, one of the world's largest manufacturers of tunnel washers. The company's industrial laundry equipment operation has sales of about SEK 135m and about 240 employees. This acquisition entails a complement to the Group's product range. It also creates opportunities for coordination of production between Senkingwerk and this product line's US subsidiary Washex, which also manufactures heavy-duty laundry equipment.

In the US, the Group acquired the distribution company Baring Industries Inc., which is devoted to project sales of heavy-duty laundry equipment and has sold Washex products for many years. The company has annual sales of about SEK 175m and 70 employees.

At the start of 1990, one dealer in Spain and one in Italy were acquired, with combined annual sales of about SEK 35m.

### **Production**

In terms of light equipment for coin bars, apartment-house laundry rooms, etc., washing machines are made in Sweden, spin-driers in Denmark, centrifuges in Finland and ironers in France. Assembly of washing machines was also initiated in the US during the second half of 1989.

In the heavy-duty product area, tunnel washers are made in West Germany, ironers in France and large washing machines in the US.

## **COMMERCIAL REFRIGERATION EQUIPMENT**

This product line includes refrigeration and freezing equipment for food retailers and industrial kitchens. Electrolux is one of the largest manufacturers in Europe, with a strong market position, particularly in Scandinavia.

This product line also includes an operation in White Consolidated in the US devoted to products for small retailers of household items.

The brand names are Electrolux, Sümak and Minks Marynen in Europe, and Kelvinator and Universal Nolin in the US.

### **Sales and profitability**

Sales in 1989 amounted to SEK 1,055m (997). Profitability was unsatisfactory.

A deterioration in the cost situation for Swedish production and the divestment of operations in the UK involved a decline in earnings and profitability for this product line. Weak demand and reduced sales volumes in Norway, Denmark and the US were also contributing factors. In contrast, sales increased in a number of countries, including Sweden, West Germany, The Netherlands and France. In particular, deliveries to food producers increased.

### **The market**

The European market for commercial refrigeration equipment is dominated by five large international companies. There are also a number of small local producers in each country who often specialize in a specific product range. As a result of the low growth rate in the retail food sector, overall demand shows no growth. In recent years the markets in southern Europe have shown growth, however.

### **Acquisitions**

Marijnen B.V. in The Netherlands was acquired in the course of the year. The company produces service counters for the local market under the brand name Minks Marynen and has annual sales of about SEK 100m. The Group also acquired Koelrad of The Netherlands, an installation and service company with annual sales of about SEK 100m.

Other production units in this product line are located in the US, Sweden and West Germany.

## **COMMERCIAL CLEANING EQUIPMENT**

This operation is devoted to various types of commercial and industrial vacuum cleaners, wet cleaners, scrubbing and polishing machines, carpet washers and central vacuum systems, as well as cleaning agents.

The Group has a strong position in the Nordic countries. Other major markets include the US, the UK and West Germany.

### **Sales and profitability**

Sales in 1989 rose to SEK 866m (670). The increase is traceable primarily to acquisitions. Profitability was satisfactory.

The Group achieved good sales growth in a number of countries, including Sweden, Italy and Spain, while

sales declined somewhat in the UK and Norway. In the US, earnings improved for both cleaning machines and central vacuum systems. Total earnings and profitability for this product line declined, however, and this is traceable entirely to acquisition of a Danish company at the start of 1989.

### **The market**

The world market for commercial cleaning equipment comprises about ten large international companies with broad product ranges. There are also a large number of small local companies which often specialize in one or a few products. Demand is relatively stable for conventional cleaning equipment. On the other hand, sales of central vacuum systems show good growth. Through the subsidiary Beam Industries, Electrolux is the US market leader in this product area. Central vacuum systems are now being launched in the Nordic countries.

The Group's major brand names are Electrolux, Euroclean, Kent, Beam, Columbus-Dixon and Alfatec. Production is located mainly in Sweden, the US and Italy.

## **STERILIZATION AND DISINFECTION EQUIPMENT**

The Group's operation for sterilization and disinfection equipment, which included Getinge AB and Växjö Rostfritt AB as well as a number of units outside Sweden, was sold as of September 30, 1989 to Getinge Intressenter AB. This operation had annual sales of about SEK 500m.

## COMMERCIAL SERVICES



The Electrolux Group is the Swedish market leader for cleaning services as well as for laundering and rental of work clothes.



*The commercial services business area reported good performance for 1989 in Sweden as well as in other countries. Sales rose by 17% to SEK 3,890m (3,336). Operating income after depreciation rose by 25% to SEK 260m (208), which represented 6.7% (6.2) of sales.*

### ENVIRONMENTAL SERVICES

This product line is engaged mainly in conventional cleaning of offices and public premises as well as disposal of hazardous waste from heavy industry. In Sweden, which is still the major market, the subsidiary ASAB is the largest company in the cleaning sector. The Group also delivers a range of services including catering and maintenance in Sweden and other markets.

Operations outside Sweden are growing steadily and now account for about 50% of sales. The major international markets are the US, Brazil, Japan and the UK.

### Sales and profitability

Sales in 1989 increased by 20% to SEK 2,453m (2,043), of which ASAB accounted for SEK 1,248m (1,085). Earnings improved and profitability continued to be very good.

Good demand led to greater sales volume and improved earnings for the Swedish cleaning services operation. Continued strong activity in the building sector in Sweden also led to good results for the painting and flooring-installation operations.

Outside Sweden, important contracts were signed in the Middle and Far East.

### The Swedish market

The Swedish market for cleaning services is estimated at about SEK 12 billion, of which half refers to the public sector. The Group's order volume in this sector has grown steadily. Demand for conventional cleaning services shows relatively stable growth. More rigorous criteria for both the internal and external environments in industry and other sectors also provide opportunities for growth in other service areas.

### Acquisitions and divestments

A number of small operations were acquired during the year in Sweden, Spain, Italy and other countries. The Group's Australian cleaning company was sold at the start of the year.

## LAUNDRY SERVICES AND GOODS PROTECTION

Operations primarily comprise laundering and rental of textiles and work clothes, which account for about 65% of total sales. The Tvättman subsidiary is market leader in Sweden. The Group also operates laundries

in The Netherlands and France. Two companies were acquired during the year in Luxembourg.

The product range for goods protection includes tarpaulins, storage halls, party tents and truck covers.

Sweden accounts for more than half of total sales for this product line.

### Sales and profitability

Sales of laundry services in 1989 increased to SEK 1,142m (1,013). Profitability continued to be good.

Tvättman reported very good growth in sales volume and earnings, and also increased its market share. The Dutch and French operations also reported good performance.

### The Swedish market

The Swedish market for industrial laundry services amounts to about SEK 2 billion, of which laundries owned by municipalities and county councils account for about 50%. Tvättman is the largest privately owned laundry, with a market share of about 20%. The market for laundering and rental of linens is relatively constant. Demand for work clothes increased, on the other hand. Over-capacity in the publicly owned laundries has led them to market services in the private sector, which has resulted in more intense competition.

### Acquisitions and divestments

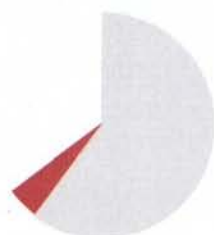
A number of small operations were acquired during the year in Luxembourg, France and other countries. The Norwegian and Danish operations were divested at the start of 1990.

### Goods protection

This operation is run through Jonsereds Godsskydd in Sweden as well as companies in Finland, Denmark, the UK, West Germany and France.

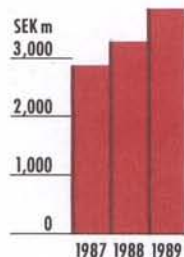
Sales in 1989 amounted to SEK 295m (280). Profitability was very good. Earnings showed good growth, mainly resulting from greater volume for tarpaulins, storage halls and party tents in the Swedish market.

Share of total  
Group sales 4.6%

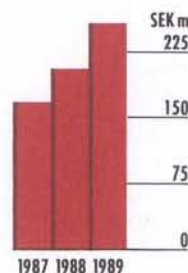


### Commercial services

	SEK m	%
Environmental services	2,453	63
Laundry services and goods protection	1,437	37
<b>Total</b>	<b>3,890</b>	<b>100</b>



	1987	1988	1989
Sales, SEK m	2,893	3,336	3,890
Operating income after depreciation, SEK m	169	208	260
Operating income as % of sales	5.8	6.2	6.7



# OUTDOOR PRODUCTS



American Yard Products is one of the largest US manufacturers of garden tractors, lawn mowers and cultivators. The American garden tractors were launched on the European market in 1989.



Sales of outdoor products in 1989 amounted to SEK 8,387m (4,960). Operating income after depreciation amounted to SEK 698m (548), which represented 8.3% (11.0) of sales. The increase in sales and income is traceable mainly to acquisition of the garden-equipment operation of Roper Corporation in the US. This operation is now called American Yard Products and was consolidated as of January 1, 1989.

The decline in operating margin is traceable to lower earnings for the European garden-equipment operation as well as to depreciation on goodwill, which reduced earnings for American Yard Products.

## FORESTRY EQUIPMENT

Electrolux is the world's largest manufacturer of chainsaws. The Group has more than one-third of the world market. The brand names are Husqvarna, Jonsered, Partner and Poulan.

The product range also comprises equipment for clearing forests as well as protective clothing and tools for forestry work. It also includes cutting machines for concrete and similar materials, which are sold under the brand names Dimas and Partner.

### Sales and profitability

Sales in 1989 amounted to SEK 2,666m (2,541). Earnings were largely unchanged and were adversely affected by higher costs for production in Sweden, for which compensation could not be achieved through price increases on the export markets. Profitability continued to be very good.

There was a slight downturn in demand for chainsaws, primarily in the professional sector. Group sales

increased in a number of countries, including Sweden, Finland and Austria, but declined in France. Sales volume and earnings growth continued to be good in the US.

Cutting machines continued to show good sales growth and high profitability.

### The market

The world market for chainsaws is estimated at 3-3.1 million units, of which the US accounts for about 50%. This market has declined in recent years as a result of increased use of forest processors for felling. Interest in wood as a fuel has also been limited as a result of low oil prices.

The market is dominated by a few large international companies. The leading competitors are based in West Germany, the US and Japan. The market is usually divided into three segments, i.e. professional, semi-professional and hobby saws. The Group has large market shares in all three segments.

The major markets for this product line are the US, Canada, France and the Nordic countries, but products are sold in all markets where forests are felled.

At the end of the year the Group acquired four distribution companies for Husqvarna and Poulan products in the US and Canada.

### Production

Products for the professional market are made in Sweden, while hobby products are made in North America. The Group operates small production units in Norway, Canada and Brazil.

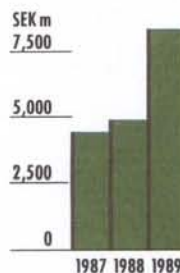
A number of programs were implemented in order to rationalize production in Sweden and achieve a better cost structure. These programs are expected to generate effects in 1991.

Share of total  
Group sales 9.9%

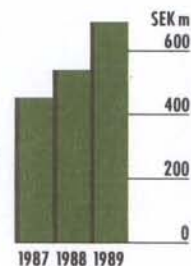


#### Outdoor products

	SEK m	%
Forestry equipment	2,666	32
Garden equipment	5,369	64
Agricultural implements	352	4
<b>Total</b>	<b>8,387</b>	<b>100</b>



	1987	1988	1989
Sales, SEK m	4,475	4,960	8,387
Operating income after depreciation, SEK m	460	548	698
Operating income as % of sales	10.3	11.0	8.3



## GARDEN EQUIPMENT

The Group is the world market leader for portable garden equipment such as grass trimmers and blowers, as well as for lawn mowers and garden tractors. The brand names are Husqvarna, Flymo, Norlett, Bernard and Staub in Europe, and Weed Eater, Rally and Yardpro in the US.

### Sales and profitability

Sales in 1989 amounted to SEK 5,369m (2,092). The large increase in sales is traceable to American Yard Products, which was acquired at the end of 1988 and was consolidated as of January 1, 1989.

Profitability declined and was not satisfactory. The decline resulted mainly from the acquisition of American Yard Products, in that the goodwill purchased led to an increase in depreciation and tied-up capital. Unfavorable trends for earnings and inventories in the European operation also comprised a contributing factor.

Demand for garden equipment in Europe declined during the second half of the year as a result of dry weather in several countries. Group sales decreased particularly in the UK and France, while an increase was reported in Sweden and other countries. Growth of sales and earnings continued to be good in the US. The integration of American Yard Products proceeded on schedule. The American garden tractors were launched in the European market during the year.

### The market

The European market is fragmented and features a large number of companies. In contrast, production in the US has been restructured and concentrated in recent years. Electrolux is one of the largest manufac-

turers in both Europe and the US. Demand depends on the weather but shows a positive long-term trend.

The major markets for this product line are the US, the UK, France and the Nordic countries.

### Acquisitions

The operation for portable garden equipment in Allegretti & Co. in the US was acquired at the start of 1990. This company is the market leader in the US and has annual sales of about SEK 450m, with 1,100 employees. Sales are channelled through the Sears retail chain and under the brand name Paramount. This operation will be coordinated with the Group's US subsidiary Poulan/Weed Eater, which also manufactures portable garden equipment. Opportunities exist for restructuring of production, among other things.

### Production

Production units are located in the US, the UK, Norway, Sweden and France. The UK operation was moved to a new plant during the year, which will enable more rational production and higher capacity.

## AGRICULTURAL IMPLEMENTS

This operation is run through Överums Bruk in Sweden as well as Group companies in Denmark, the UK, Finland and Canada. The product range includes plows, sowers and fertilizer spreaders.

### Sales and profitability

Sales in 1989 amounted to SEK 352m (327). Profitability continued to be satisfactory.



# INDUSTRIAL PRODUCTS



SAPA markets a wide range of aluminum profiles, from complete systems for building facades and roofs to components for the electronics industry. The company is one of the largest manufacturers in Europe.



*Industrial products comprise the Group's second largest business area. Sales for 1989 rose to SEK 16,890m (14,107). Approximately one-third of the sales increase of 20% is traceable to acquisitions. Operating income for this business area declined to SEK 1,059m (1,123), mainly as a result of reduced operating income in Gränges. Operating margin declined to 6.3% (8.0).*

## GRÄNGES

Gränges' operations comprise four product areas, i.e. aluminum, recycling, automotive and distribution. Aluminum represents the largest of these, accounting for about 75% of total sales.

Approximately half of sales are outside Sweden, the largest single market being the UK. The main customers are in the building, engineering, automotive and packaging industries.

## Sales and profitability

Sales in 1989 amounted to SEK 8,066m (6,895), an increase of 17%. Almost half of this increase is traceable to acquisitions. Profitability was good.

Earnings and profitability declined during the second half of the year, mainly as a result of substantially higher prices for aluminum oxide, which is used as a raw material.

## Aluminum

Operations comprise production of primary and secondary aluminum as well as semi-finished items such as profiles and rolled products. Production units include a primary smelting plant in Sundsvall, which is the only electrolytic smelting plant in Sweden and has an annual capacity of about 100,000 tons. This plant produces about 75% of the metal required as an input for production in Gränges' other plants. As a net purchaser of metal, Gränges is less exposed to fluctuations in business conditions than are many of its competitors, whose operations are based largely on raw materials. Gränges also operates resmelting plants in Finspång, Avesta and Älmhult.

The Finspång resmelting plant is being renovated and modernized in order to increase its capability for external purchases of raw materials. This will increase annual plant capacity with about 15,000 tons.

The aluminum industry showed a good balance during the year between production and deliveries of metal. The price of aluminum on the London Metal Exchange nevertheless dropped by more than 30% in 1989. Shortages of aluminum oxide led to very strong price increases for this vital raw material, which in combination with falling metal prices generated a decline in earnings for the electrolytic smelting plant in Sundsvall.

## Extruded products

SAPA is one of the largest European producers of profiles, with production units in Sweden, Denmark, The Netherlands, the UK and West Germany. Despite lower demand in the UK resulting from a decline in activity in the building industry, SAPA continued to report good sales volume and earnings.

In the course of the year a new facility for extruded products with considerably higher capacity went on-stream in The Netherlands. A similar plant is under construction in the UK and is scheduled for completion in 1990. These investments provide SAPA with an annual capacity of 100,000 tons of profiles.

## Rolled products

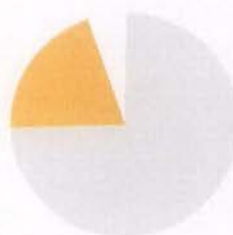
Rolled products consist primarily of thin strip for car radiators and aluminum foil for the packaging industry. High personnel turnover and low productivity during the year led to less favorable results for several of the Swedish units.

At the start of 1989 the Group acquired National Luxembourg Aluminum Corporation (NLAC), a foil-rolling plant in Luxembourg with annual sales of about SEK 425m and 240 employees. The company produces about 25,000 tons of foil and thin strip annually.

Rolled products are also manufactured in Sweden and Finland and now amount to a total of about 80,000 tons, of which foil accounts for 30,000.

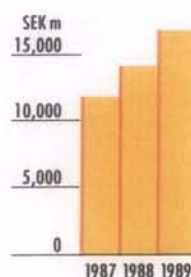
Korrugal's operations in Sweden, Norway, the UK, Italy and The Netherlands were sold to SSAB (Swedish Steel Corporation) during the third quarter. These operations were devoted primarily to building sheet and had combined sales of about SEK 550m.

Share of total  
Group sales 19.9%

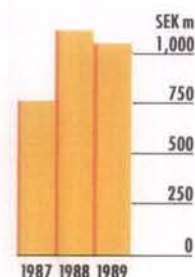


### Industrial products

	SEK m	%
Gränges	8,066	48
Materials handling equipment	1,416	8
Equipment for personal safety in cars	3,175	19
Components	2,913	17
Industrial products - White	919	6
Other	401	2
	16,890	100



	1987	1988	1989
Sales, SEK m	11,784	14,107	16,890
Operating income after depreciation, SEK m	761	1,123	1,059
Operating income as % of sales	6.5	8.0	6.3



### **Recycling**

Gotthard Nilsson is the leading Swedish company in recycling of scrap iron and other metal. Gotthard reported good growth in sales, but higher purchase prices for scrap involved a decline in margin.

At mid-year, Gotthard started its first fragmenting plant for scrap metal in Hallstahammar. Another such facility is under construction in Malmö. The company's 50% holding in Bilfragmentering was sold during the year.

### **Automotive**

Gränges includes a group of companies that are focused on components for the automotive industry. These include Foral, Plastal and Safeman in Sweden, Novoplastik and Suomen Plastal in Finland, and Gränges Techform in the UK. The product range consists mainly of bumpers, fuel tanks, roof panels and door panels.

Several of these companies were adversely affected during the year by lower demand from the automotive industry in Sweden and the UK.

### **Distribution**

The distribution group makes Gränges one of Europe's largest metal wholesalers, with operations in Sweden, Denmark, Finland and the UK. The product range includes own and purchased semi-finished goods in metal and plastic. These are sold in small batches to tradesmen and small companies as well as to other customers.

The group's earnings declined during the year, mainly as a result of lower demand in the UK.

### **GRÄNGES METALOCK**

The company is devoted mainly to service for heavy industry. Operations include repair, maintenance, assembly and installation of machines, as well as manufacture of machine parts and steel structures.

Operations are run at several workshops in Sweden as well as in Denmark, West Germany and the UK. The company also runs mobile operations for on-site work in customer facilities.

Sales in 1989 amounted to SEK 248m (204). Profitability was very good.

### **GRÄNGES INTERNATIONAL MINING**

Since the end of the 1950's, GIM's operations have consisted mainly of management, administration and sale of ore for LAMCO (Liberian American-Swedish Minerals Company), which operated one of the largest iron mines in Africa, in Liberia.

LAMCO discontinued mining of ore in July, 1989 and the last ore shipments were made at the end of October.

Sales for GIM in 1989 amounted to SEK 25m (23). A total of 4.3 million tons (4.9) of iron ore were delivered during the year to a market value of about USD 61m (61).

### **MATERIALS HANDLING EQUIPMENT**

The product range comprises storage systems and work-place equipment for workshops and offices as well as conveyor systems. Electrolux Constructor is one of the world's three largest producers and has a particularly strong position in the market for compact storage systems.

Approximately half of sales refer to Europe, while the two US companies in White Consolidated account for almost 25%.

### **Sales and profitability**

Sales in 1989 amounted to SEK 1,416m (1,342). Profitability was satisfactory.

This product line achieved good sales volume in Europe during the year, particularly in West Germany and The Netherlands. In the US, earnings were adver-

sely affected by lower demand and lower sales of equipment for industry, while sales of office equipment continued to be good.

### **The market**

The market for materials handling equipment features a few large international companies. There are also many regional or local producers who often specialize in one or a limited number of products. Growth in this market is in automatic systems.

The major markets for this product line are the US, Scandinavia, West Germany, The Netherlands, the UK, Italy and Switzerland.

### **Acquisitions and production**

During the year the Group acquired Bauer GmbH in Austria, a domestic sales company with annual sales of about SEK 40m.

Most production in this product line is located in Sweden, Denmark, West Germany, The Netherlands, Switzerland and the US.

## **INDUSTRIAL COMPONENTS**

At the end of 1988 the Electrolux Autoliv and Components Group product lines were integrated under joint management. The goal was to achieve improved coordination and structuring of the various units, as well as better response to the criteria for quality and scale which accompany the globalization of the Group's operations.

During 1989 these two product lines were reorganized in six specific product areas, i.e. Electrolux Autoliv and Klippan for car safety belts and other equipment for personal safety in cars, along with compressors, motors, plastic components and electronics.

### **Equipment for personal safety in cars**

Electrolux Autoliv is the largest manufacturer of safety belts in Europe and one of the three largest in the world. Klippan's product range includes car seats and other safety products for children.

Sales in 1989 amounted to SEK 3,175m (2,467). Profitability was good.

Continued high demand from the automotive industry enabled good sales growth for Autoliv. The company intensified activities regarding airbags, i.e. safety systems based on air cushions that automatically inflate when a collision occurs. In the UK, a joint venture with Marling Industries was started for development and manufacture of airbags. Acquisition of 50% of the shares in Auto Springs Ltd. from CH Industrial has given Autoliv access to a vital spring component for car safety belts. In the US, a joint venture with Nippon Seiko K.K. of Japan was started for delivery of safety belts and airbags to Asian car producers in the US. A new plant for manufacture of safety belts was completed in The Netherlands.

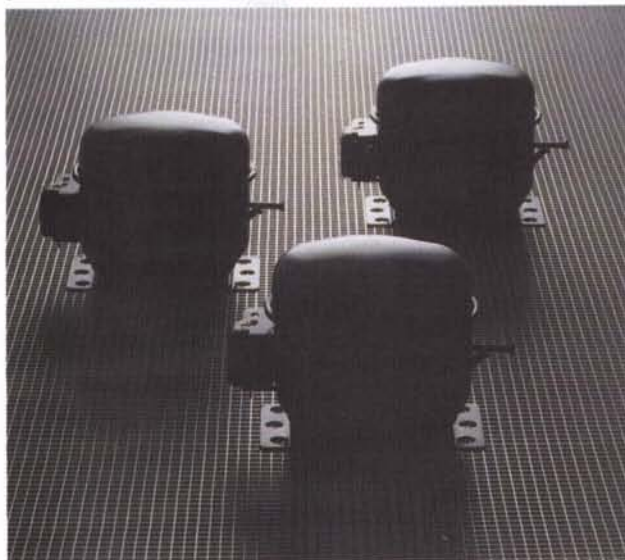
### *The market*

The world market for personal safety in cars is estimated at about SEK 22 billion, of which Europe accounts for about one-fourth. Good growth is shown particularly for new products such as airbags, automatic belts and tensioners.

The market features a few large companies which operate globally. This is primarily a result of the automotive industry's demand for suppliers with complete product ranges and internationally widespread production. Increasingly higher costs for development comprise another contributing factor.

Autoliv operates production units in most of the car-producing countries in Europe. Autoliv and Klippan products are also manufactured under license in more than 15 countries.

Compressors for refrigerators comprise the largest product area in the Group's component operations.



## Components

The Group manufactures a substantial volume of components for use in its own household appliances and garden equipment as well as for sale to external customers, mainly in the automotive, white-goods and computer industries. The largest product area covers compressors, of which the Group is one of the leading manufacturers in the world market.

Components are manufactured at about twenty production units in Sweden, the UK, Spain, Italy, Austria and the US.

Total sales in 1989 to both internal and external customers amounted to SEK 5,617m, of which SEK 2,913m (2,166) referred to external deliveries. Profitability was satisfactory.

Sales volume and earnings for compressors continued to be good, although the cancellation of deliveries to China subsequent to the events in June had an adverse effect on earnings for the second half of the year. Intensive efforts are in progress to develop and adapt compressors in compliance with new regulations regarding freon as well as more rigorous criteria for energy consumption, particularly in North America. A central R&D unit was established during the year. Casting operations are being concentrated in the main unit in Maniago, Italy.

Sales of motors and plastic components were adversely affected by a lower volume of internal deliveries for vacuum cleaners and garden equipment. External sales of plastic components to the automotive industry increased, however. Laboratorios Radio S.A. in Spain, a manufacturer of plastic components with annual sales of about SEK 100m and 110 employees, was acquired during the second half of the year. At the same time, managerial responsibility for the plastic components product area was transferred to this company.

Sales trends in the electronic components area continued to be weak. Operations are being reviewed and restructured. Production capacity at a number of units is also being adjusted.

## INDUSTRIAL PRODUCTS - WHITE

White Consolidated includes an industrial division with operations consisting of highway construction equipment and industrial valves.

Highway construction equipment is made by Blaw-Knox at one plant in the US and one in the UK. Sales in 1989 amounted to SEK 577m (590) and profitability continued to be very good. Operations for industrial valves are run through Copes-Vulcan. Applications for these valves include the power and defense sectors. Sales in 1989 amounted to SEK 342m (321). Profitability was on a level with the previous year.

# BUILDING COMPONENTS

Ballingslöv is one of the major producers of kitchen fittings in Scandinavia.



Sales in this business area rose in 1989 to SEK 4,408m (3,774). Operating income after depreciation increased to SEK 208m (172), which corresponds to an operating margin of 4.7% (4.6).

After divestment of operations for building materials, this business area consists exclusively of the kitchen- and bathroom-cabinet operations.

## BUILDING MATERIALS

The Group's operations for building materials were sold during the year. The window-production operation was sold in the third quarter and the Beijer Byggmaterial operation as of December 31. The latter was sold to Dansk Traelastkompagni A/S of Denmark, which is focused on trading in building materials and wood products.

Sales in 1989 amounted to SEK 2,953m (2,440). Profitability was very good.

## KITCHEN AND BATHROOM CABINETS

Manufacture and sale of kitchen and bathroom cabinets is run through White Consolidated in the US, which is responsible for the greater part of sales, and through Ballingslöv in Sweden. The Swedish subsidiary Zig Zag was sold during the year.

### Sales and profitability

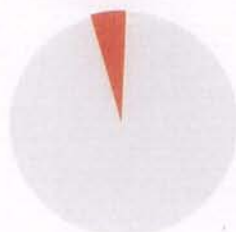
Sales in 1989 amounted to SEK 1,455m (1,334), of which more than 70% referred to the US. Profitability continued to be good.

Earnings and profitability in the US operation improved despite declining demand and lower sales. In Sweden, continued good conditions in the building industry entailed higher sales volumes and earnings for Ballingslöv.

### The market

The US market is highly fragmented and is estimated at about USD 4 billion. The market declined by about 8% during the year. White is one of the major manufacturers, with six production units, i.e. Quaker Maid, J-Wood, Kemper, Schrock, Richwood and Diamond. Kitchen fittings account for about 90% of sales.

Share of total Group sales 5.2%

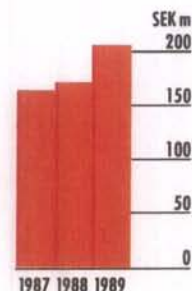


### Building components

	SEK m	%
Building materials	2,953	67
Kitchen and bathroom cabinets	1,455	33
	4,408	100



	1987	1988	1989
Sales, SEK m	3,172	3,774	4,408
Operating income after depreciation, SEK m	164	172	208
Operating income as % of sales	5.2	4.6	4.7



# CONSOLIDATED INCOME STATEMENT

(SEK.m)		<u>1989</u>	<u>1988</u>
<i>Operating income and expense</i>			
Sales	(Note 1)	84,919	73,960
Cost of production, sales and administration	(Note 2)	<u>-76,617</u>	<u>-66,486</u>
<b>Operating income before depreciation</b>		<b>8,302</b>	<b>7,474</b>
<i>Depreciation according to plan</i>			
Goodwill	(Note 3)	- 246	- 174
Machinery, equipment and tools		-2,498	-2,161
Buildings		- 270	- 235
Land and land improvements		<u>- 7 - 3,021</u>	<u>- 7 - 2,577</u>
<b>Operating income after depreciation</b>		<b>5,281</b>	<b>4,897</b>
<i>Financial items</i>			
Dividends on shares and participations		89	38
Interest income		899	791
Interest expense		-2,745	-1,990
Foreign exchange differences on loans, net		72	- 52
Other financial items	(Note 4)	<u>12 - 1,673</u>	<u>43 - 1,170</u>
<b>Income before taxes</b>	(Note 5)	<b>3,608</b>	<b>3,727</b>
<i>Taxes</i>			
Deferred taxes		- 40	- 291
Profit-sharing tax		- 1	- 117
Other taxes		<u>- 935 - 976</u>	<u>- 913 - 1,321</u>
<b>Income after taxes</b>		<b>2,632</b>	<b>2,406</b>
Minority interests		<u>- 53</u>	<u>- 35</u>
<b>Net income</b>	(Note 6)	<b>2,579</b>	<b>2,371</b>

# CONSOLIDATED BALANCE SHEET

<b>Assets</b> (SEKm)	<u>1989-12-31</u>		<u>1988-12-31</u>	
<i>Current assets</i>				
Cash and bank deposits	1,864		1,528	
Shares and participations	6		2	
Bonds and other securities	<u>2,143</u>	<u>4,013</u>	<u>2,480</u>	<u>4,010</u>
Notes receivable	1,260		1,251	
Accounts receivable	13,287		12,477	
Prepaid expense and accrued income	949		758	
Other receivables	<u>2,139</u>	<u>17,635</u>	<u>1,305</u>	<u>15,791</u>
Inventories		16,409		14,359
Advances to suppliers		<u>64</u>		<u>85</u>
<b>Total current assets</b>		<b>38,121</b>		<b>34,245</b>
<i>Blocked accounts for investment and other reserves</i>				
		60		69
<i>Fixed assets</i>				
Shares and participations (Note 7)	396		2,301	
Bonds and other securities	<u>671</u>	<u>1,067</u>	<u>301</u>	<u>2,602</u>
Notes receivable	11		7	
Long-term receivables	<u>405</u>	<u>416</u>	<u>557</u>	<u>564</u>
Leaseholds, patents, etc.	114		129	
Goodwill (Note 8)	<u>4,538</u>	<u>4,652</u>	<u>3,287</u>	<u>3,416</u>
Advances to suppliers	125		222	
Construction in progress (Note 9)	1,159		1,618	
Machinery, equipment and tools (Note 10)	11,749		9,077	
Buildings (Note 11)	5,073		4,282	
Land and land improvements (Note 12)	<u>876</u>	<u>18,982</u>	<u>745</u>	<u>15,944</u>
<b>Total fixed assets</b>		<b>25,117</b>		<b>22,526</b>
<b>Total assets</b>		<b>63,298</b>		<b>56,840</b>



<b>Liabilities and shareholders' equity</b> (SEKm)	<u>1989-12-31</u>	<u>1988-12-31</u>
<i>Current liabilities</i>		
Notes payable	906	630
Accounts payable	6,720	7,187
Tax liability	362	602
Accrued expense and prepaid income	5,081	4,960
Other current liabilities	2,811	2,726
Advances from customers	382	299
	<u>16,262</u>	<u>16,404</u>
Bank loans, etc.	9,925	8,193
<b>Total current liabilities</b>	<b>26,187</b>	<b>24,597</b>
<i>Long-term liabilities</i>		
Debenture loans	50	64
Bond loans	5,091	3,671
Mortgage loans, promissory notes, etc.	8,540	7,433
	<u>13,681</u>	<u>11,168</u>
Deferred taxes	1,974	2,083
Other long-term liabilities	1,997	1,786
	<u>3,971</u>	<u>3,869</u>
Provisions for pensions		
PRI pensions (Pension Registration Institute)	1,628	1,589
Other pensions	529	467
	<u>2,157</u>	<u>2,056</u>
<b>Total long-term liabilities</b>	<b>19,809</b>	<b>17,093</b>
<i>Convertible debenture loan</i> (Note 13)	42	59
<i>Minority interests</i>	235	218
<i>Shareholders' equity</i> (Note 14)		
Restricted equity		
Share capital		
2,000,000 A-shares, par value SEK 25		1,809
70,677,932 B-shares, par value SEK 25	1,817	3
Converted shares, unregistered	1	
Statutory reserves (Note 15)	9,325	7,452
	<u>11,143</u>	<u>9,264</u>
Unrestricted equity		
Unrestricted reserves	3,303	3,238
Net income for the year	2,579	2,371
	<u>5,882</u>	<u>5,609</u>
<b>Total shareholders' equity</b>	<b>17,025</b>	<b>14,873</b>
<b>Total liabilities and shareholders' equity</b>	<b>63,298</b>	<b>56,840</b>
<hr/>		
<i>Assets pledged</i> (Note 16)	4,130	2,862
<i>Contingent liabilities</i> (Note 16)	1,157	1,194
<hr/>		

# CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

(SEK.m)	<u>1989</u>	<u>1988</u>
<i>Funds generated by operations</i>		
Net income after taxes and minority interests	2,579	2,371
Difference between income and liquidity flow		
Depreciation according to plan charged against income reported above	3,021	2,577
Capital gains included in operating income	- 754	- 56
Change in operating assets and liabilities		
Increase in notes receivable and accounts receivable	- 819	- 1,545
Increase in inventories and other current assets	- 3,054	- 2,176
Decrease/Increase in current liabilities	- 142	2,583
Increase in short-term loans	1,732	3,145
<b>Liquid funds generated by operations</b>	<b>2,563</b>	<b>6,899</b>
<i>Investments</i>		
Shares and participations	1,905	- 1,874
Long-term notes and accounts receivable	148	76
Goodwill	- 1,525	- 675
Machinery, buildings, land and construction in progress	- 6,237	- 5,292
Other fixed assets	- 249	- 222
Revenues on sales of fixed assets	1,353	426
<b>Liquid funds available for investment</b>	<b>- 4,605</b>	<b>- 7,561</b>
<i>Financing</i>		
Long-term liabilities	2,699	575
Conversion of debentures	17	19
Dividends paid	- 833	- 721
<b>Liquid funds generated by financial activities</b>	<b>1,883</b>	<b>- 127</b>
<b>Other</b> (Changes in minority interests, Group structure and translation differences)	<b>162</b>	<b>131</b>
<b>Increase/Decrease in liquid funds</b>	<b>3</b>	<b>- 658</b>
<b>Liquid funds at start of year</b>	<b>4,010</b>	<b>4,668</b>
<b>Liquid funds at year-end</b>	<b>4,013</b>	<b>4,010</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## ACCOUNTING PRINCIPLES

### Changes in accounting principles

In contrast to previous years, no allocations or untaxed reserves are reported in the consolidated accounts. Deferred tax of 30% on allocations made in individual Group subsidiaries is reported in the consolidated income statement as "Deferred taxes", while the remainder of these reserves is included in "Net income". The consolidated balance sheet therefore includes 30% of the untaxed reserves in individual Group companies under "Deferred taxes", while the remaining 70%, is reported as "Statutory reserves" under "Restricted equity" and is described as "the equity share in timing differences" (see Note 15).

The above changes are based in part on the Swedish tax reform proposed in 1989. For computation of key ratios such as return on shareholders' equity, equity/assets ratio, earnings per share and return on net assets, the figures for 1988 have been adjusted to reflect the above changes. In contrast, key ratios for 1987 and previous years, which were based on 50% standard tax, have not been adjusted.

In the light of the above, a 30% tax rate has been used in 1989 instead of the previous 50% standard rate for calculation of deferred tax on timing differences in purchase accounting.

### Consolidated financial statements

The consolidated financial statements include AB Electrolux and all companies in which the parent company at year-end directly or indirectly owned more than 50% of the voting rights referring to all shares and participations.

The following applies to acquisitions and divestments during the year:

- Companies acquired during the year have been included in the consolidated income statement as of the date of acquisition.
- Companies divested during the year have been included in the consolidated income statement up to and including the date of divestment.

The Group comprised 556 (502) operating companies at year-end. The total number of companies was 726 (769).

### Accounting method

The consolidated financial statements have been prepared according to the purchase method, whereby the acquisition value of shares and participations in a subsidiary is offset against the equity in the subsidiary on the date of acquisition. Equity thus comprises equity after taxes paid as well as that portion of the timing differences which remains after deduction of deferred taxes. These taxes are reported as long-term

liabilities in the consolidated balance sheet. Any residual acquisition value in the shares in a subsidiary is reported as an adjustment of the book value of the subsidiary's fixed assets, and the remaining value as goodwill or negative goodwill. The value of fixed assets and goodwill thus adjusted is depreciated according to a specific schedule for each individual case.

### Goodwill

Corporate acquisitions are an important component of the Group's expansion. These acquisitions are often made in competition with other firms whose accounting practices differ from the Swedish, e.g. with respect to goodwill. For this reason, the depreciation of goodwill acquired in White, Zanussi and American Yard Products has been adjusted in accordance with international practice. For these three companies, goodwill is depreciated over estimated useful life. The depreciation according to plan thus generated has been charged against operating income.

Goodwill arising from acquisitions other than White, Zanussi and American Yard Products is depreciated by at least 10% annually and reported under "Depreciation according to plan".

Estimated useful life is reviewed annually to determine whether the depreciation schedule should be abridged.

### Foreign currencies

#### Translations

The balance sheets of foreign subsidiaries have been translated into Swedish kronor at year-end rates. Income statements have been translated at the average rates for the year. Exchange differences arising from translations have been taken directly to shareholders' equity.

The above principles have not been applied for subsidiaries in countries with highly inflationary economies. Exchange differences referring to these companies and differences arising from translation of net income at average and year-end rates have been charged against operating income before depreciation. Correspondingly, adjustment of the value of fixed assets in these companies for inflation has been included in operating income before depreciation. This method enables increases and/or decreases in equity in countries with highly inflationary economies to be reported in their entirety in the consolidated income statement.

AB Electrolux has raised loans in foreign currencies in order to hedge equity in foreign subsidiaries against exchange

rate fluctuations. The exchange differences, inclusive of the effect of taxes, arising on these loans have been offset against the exchange differences arising from translation of the net of assets and liabilities in foreign subsidiaries.

#### *Receivables and liabilities in foreign currencies*

For the parent company, current receivables and current as well as long-term liabilities are translated at year-end rates. Unrealized exchange gains and losses are offset. Net losses thus arising are charged against income, while net gains are not included in income, but are reported under the corresponding liability.

The parent company's long-term receivables in foreign currencies have been reported at the lower of the acquisition-date and year-end values. If there is a direct connection between a long-term receivable and a long-term liability, both are translated at the same rate.

Swedish subsidiaries apply the same principles as the parent company to receivables and liabilities in foreign currencies. Receivables and liabilities in foreign subsidiaries in other than their own currencies have been translated according to national legislation and practice, generally at year-end rates.

#### *Inventories*

Inventories are valued at the lower of acquisition value and actual value. Acquisition value has been computed according to the first-in, first-out method (FIFO). Appropriate provisions have been made for obsolescence.

Internal profits have been eliminated in connection with preparation of the consolidated accounts.

#### *Depreciation*

Depreciation according to plan is based on the acquisition value of the asset prior to write-offs against investment reserves or their counterparts. The depreciation period is based on the estimated useful life of the asset.

In certain cases, assets have been revalued at the estimated acquisition cost to the Group in connection with preparation of the consolidated balance sheet. Depreciation according to plan on these assets has been based on the adjusted value.

Depreciation according to plan on goodwill is computed on the basis of estimated useful life.

#### *Other financial reserves*

In principle, all Group companies apply uniform methods for computation of obsolescence on inventories, doubtful receivables, guarantee commitments, etc. irrespective of national fiscal legislation. However, in some countries it is permissible to make additional allocations, which are reported under "Other financial reserves" (see Note 15, p. 46).

#### *Taxes*

Taxes incurred by the Electrolux Group are affected by allocations and other fiscal measures taken during the year. They are also affected by utilization of tax-loss carry-overs referring to previous years or to acquired companies. This applies to both Swedish and foreign Group companies.

Actual taxes paid for 1989 amounted to 25.9% (27.6) of income before taxes, while full tax computed as actual taxes paid plus 30% deferred tax amounted to 27.1% (35.4) of income before taxes.

#### *Compliance with international and other accounting practice*

The Electrolux Group's annual report complies in all essentials with the OECD's guidelines for companies that operate internationally.

Information in accordance with US GAAP is provided in Note 17 as well as in a Form 20-F report submitted annually to the SEC (Securities and Exchange Commission).

## DEFINITIONS

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#### *Capital ratios*

##### *Net assets*

These are defined as total assets exclusive of liquid funds, less non-interest-bearing liabilities. The latter include deferred taxes.

##### *Risk-bearing capital*

This consists of equity, minority interests, deferred taxes on timing differences and deferred taxes on untaxed reserves in acquired companies as of the acquisition dates.

#### *Earnings per share*

Electrolux uses three different methods to compute earnings per share. In 1989, "Earnings per share after 50% standard tax" was replaced by "Earnings per share after full tax".

All calculations have been adjusted for full dilution, stock splits, bonus issues and new issues. In connection with new issues, the number of shares is calculated as the average number of shares for the year.

##### *Earnings per share after full tax*

Net income divided by the number of shares after full dilution.

*Earnings per share after actual taxes*

Income before taxes, adjusted for minority interests, less actual taxes paid as reported in the income statement, divided by the number of shares after full dilution.

*Earnings per share according to US GAAP*

See information on US GAAP, Note 17, p. 47.

*Earnings per share after standard tax*

Applies to 1987 and previous years. Income after financial items less minority interests and 50% standard tax, divided by the number of shares after full dilution.

## Other key ratios

*Return on equity*

Net income expressed as a percentage of opening equity. For 1987 and previous years, this ratio is computed as income after financial items less minority interests and 50% standard tax, expressed as a percentage of opening adjusted equity. Opening equity is adjusted for debentures converted during the year as well as for new issues when relevant.

*Total return on equity*

Income before taxes, less minority interests and actual taxes paid, expressed as a percentage of opening equity plus deferred tax on timing differences. Opening equity is adjusted for debentures converted during the year as well as for new issues when relevant.

*Return on net assets*

Operating income after depreciation, expressed as a percentage of average net assets.

*Interest coverage rate*

Operating income after depreciation plus financial income, in relation to interest costs.

*Share of risk-bearing capital*

Risk-bearing capital expressed as a percentage of total assets.

*Equity/assets ratio*

Equity expressed as a percentage of total assets.

*Debt/equity ratio (US GAAP)*

Long-term liabilities expressed as a percentage of long-term liabilities plus shareholders' equity.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## NOTE Sales

**1** This item refers to sales exclusive of VAT (Value-Added Tax) and other sales taxes.

## NOTE Cost of production, sales and administration

**2** Gains and losses generated by sales of operations and fixed assets as well as restructuring costs are a natural consequence of the Group's acquisition strategy and are therefore included in operating income.

	1989 SEK m	1988 SEK m
Sales of fixed assets		
Capital gains, real estate	194	83
Capital losses, real estate	- 4	- 10
Capital gains, shares in subsidiaries	775	44
Capital losses, shares in subsidiaries	- 193	- 61
Total	772	56

Several large operations were divested in 1989. For the sake of comparison, the resulting capital gain of SEK 504m has been reported separately from the various business areas.

In connection with the current major investment program, additional restructuring costs totalling SEK 300-400m have been charged against operating income. These costs are not reported individually, however, but have been charged to appropriate business areas.

With respect to subsidiaries in countries with highly inflationary economies, this item also includes SEK -68m (-168) referring to differences between net income calculations on the basis of year-end and average rates, translation differences and adjustment of the value of fixed assets for inflation.

## NOTE Depreciation according to plan on goodwill

**3** Goodwill arising from application of the purchase method is depreciated according to plan by at least 10% annually with the exception of White, Zanussi and American Yard Products, for which depreciation according to plan is booked at an annual rate of 2.5%. See the description of accounting principles on p. 41.

Negative goodwill was dissolved in the amount of SEK 23m (0).

## NOTE Other financial items

**4** This item includes interest income of SEK 215m (72) and interest expense of SEK 211m (71) referring to interest arbitrage transactions. Receivables and liabilities referring to interest arbitrage amounted to SEK 3,627m (1,565) at year-end and have been reported at net value.

## NOTE

5

Earnings per share  
after actual taxes

	1989 SEKm	1988 SEKm
Income before taxes	3,608	3,727
Actual taxes as per income statement	- 936	-1,030
Minority interests	- 53	- 53
Interest on convertible loans after 30% tax*	3	4
Adjusted income after actual taxes	2,622	2,648
Number of shares after full dilution 1989: 73,436,348 (1988: 73,437,198)		
Earnings per share after actual taxes, SEK	35.70	36.10

\* Interest has been added, as earnings are computed after full dilution.

## NOTE

6

Earnings per share  
after full tax

	1989 SEKm	1988 SEKm
Net income	2,579	2,371
Interest on convertible loans after 30% tax*	3	4
Adjusted income after full tax	2,582	2,375
Number of shares after full dilution 1989: 73,436,348 (1988: 73,437,198)		
Earnings per share after full tax, SEK	35.20	32.30

\* Interest has been added, as earnings are computed after full dilution.

## NOTE

7

Shares and participations,  
fixed assets

	Number	Holding, %	Value at par in local currency, million	Book value SEKm
Holdings owned by AB Electrolux				2
<b>Foreign companies</b>				
ABB Transformatoren GmbH, West Germany	1	2	DEM 0.6	3
Antonietti Viaggi, Italy	1	70	ITL 175.0	3
Autosprings, UK	25,000	50	GBP 0.1	4
Banco Popolare PN Commital, Italy	18,874	-	ITL 9.4	2
B.T. Enterprises, USA	535	50	USD 1.1	3
Cia. Gral. Del Azafran, Spain	45,161	17.6	ESB 45.2	2
Cia. Gral. Del Algarrobo, Spain	3,000	8	ESB 30.0	2
Email Ltd., Australia	38,179,236	18	AUD 44.3	256
Eureka Forbes Ltd., India	440,000	40	INR 4.4	3
Finanziaria Industriale S.p.A., Italy	448,375	37.4	ITL 4,483.8	22
Forbach GmbH, West Germany	1	50	DEM 3.3	11
Fuji Autoliv Company, Japan	2,000	50	JPY 50.0	4
ILME, Italy	99,800	22	ITL 998.0	2
ILPEA Gomma S.p.A. Orcenica di Zoppola, Italy	98,000	24.5	ITL 980.0	5
Ithify, Italy	400,000	5.7	ITL 400.0	2
Kotimaiset Kotitalouskoneet Oy, Finland	2,000	50	FIM 2.0	3
Mundo Blanco S.A., Venezuela	17,000	20	VEB 17.0	5
NSK-Autoliv Inc., USA	2,500	50	USD 0.2	2
Plasticos Henares S.A., Spain	10,000	22	ESB 10.0	2
Primus Capital Fund II, USA		1.7	USD 0.5	3
Rødovre Jern & Metalhandel A/S, Denmark	675	45	DKK 0.7	2
Sensor A/S, Norway	195,001	25	NOK 1.9	6
TPV Energy Systems, USA	441	49	USD 0.4	2
Trigano Diffusion, France	28,450	49	FRF 2.9	8
Transition Research, USA	23,000	9	USD 1.2	7
Zanker N.V., Belgium	250	50	BEC 30.0	2
Other (A detailed list of holdings has been attached to the annual report filed with the Swedish Patent and Registration Office)				28

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## NOTE

## 8 Goodwill

	1989 SEK m	1988 SEK m
Acquisition value	5,359	3,854
Accumulated depreciation according to plan	- 821	- 567
Residual value	4,538	3,287

The acquisition value of goodwill in 1989 has been increased by SEK 21m (71) as a result of translation differences. See p. 10.

Acquisition value as reported above includes SEK 3,585m in goodwill referring to Zanussi, White and American Yard Products. This goodwill is being depreciated over 40 years.

## NOTE

## 9 Construction in progress

	1989 SEK m	1988 SEK m
Opening balance	1,618	872
Net change during the year, including opening assets in acquired companies	- 476	781
Adjustment for divestments, changes in exchange rates, etc.	17	- 35
Year-end balance	1,159	1,618

## NOTE

## 10 Machinery, equipment and tools

	1989 SEK m	1988 SEK m
Acquisition value	24,288	19,576
Accumulated depreciation according to plan	-12,539	-10,499
Residual value	11,749	9,077

## NOTE

## 11 Buildings

	1989 SEK m	1988 SEK m
Acquisition value	7,448	6,427
Accumulated depreciation according to plan	-2,375	-2,145
Residual value	5,073	4,282
Tax assessment value of buildings in Sweden	1,318	1,478
Net book value of buildings in Sweden	477	611

## NOTE

## 12 Land and land improvements

	1989 SEK m	1988 SEK m
Acquisition value	807	754
Accumulated depreciation according to plan	-82	-80
Residual value	725	674
Undepreciated portion of write-ups	151	71
Net book value	876	745
Tax assessment value of land in Sweden	226	240
Net book value of land in Sweden	121	143

## NOTE

## 13 Convertible debenture loan

See the section on Electrolux shares, p. 16.

**NOTE**  
**14** Shareholders'  
equity, SEK.m

	Share capital	Converted shares, unregistered	Restricted reserves	Equity share in timing differences	Unrestricted reserves	Net income	Total
Opening balance	1,809	3	4,019	3,433	3,238	2,371	14,873
Conversion of debentures	-	6	11	-	-	-	17
Registered increase in share capital	8	-8	-	-	-	-	-
Retained earnings, etc.	-	-	1,396	-	975	-2,371	-
Dividends paid	-	-	-	-	-833	-	-833
Timing differences	-	-	-	94	-94	-	-
Translation differences, etc.	-	-	402	-30	17	-	389
Net income	-	-	-	-	-	2,579	2,579
<b>Year-end balance</b>	<b>1,817</b>	<b>1</b>	<b>5,828</b>	<b>3,497</b>	<b>3,303</b>	<b>2,579</b>	<b>17,025</b>

Disposable consolidated earnings amount to SEK 5,882m, of which SEK 36m has been allocated to restricted reserves.

SEK 3,497m (3,433) referring to the equity share in timing differences is reported under the balance-sheet item "Statutory reserves". See specification in Note 15. This sum can be transferred to unrestricted reserves, but is then subject to taxation.

**NOTE** Specification of  
**15** timing differences, SEK.m  
(See also Note 14)

	Opening balance	Change during the year		Closing balance
		Allocation/ Dissolution	Exchange differences, etc.	
Inventory reserves	1,590	65	9	1,664
Accumulated accelerated depreciation				
- Machinery, equipment and tools	1,776	364	-34	2,106
- Buildings	197	-36		161
Profit equalization reserves	708	-284		424
Renewal reserves	36	-22		14
Investment reserves	106	-53		53
Other financial reserves	492	100	-19	573
	4,905	134	-44	4,995
Deferred taxes	-1,472	-40	14	-1,498
<b>Equity share in timing differences</b>	<b>3,433</b>	<b>94</b>	<b>-30</b>	<b>3,497</b>

In addition to the timing differences reported above, SEK 1,148m (1,135) existing in individual companies has been eliminated through application of the purchase method.

Minority shares in the timing differences reported above amount to SEK 50m (47).



**NOTE 16** Assets pledged and contingent liabilities

<i>Assets pledged</i>	1989 SEKm	1988 SEKm
Real-estate mortgages	3,269	1,984
Corporate mortgages	257	400
Other assets pledged		
Receivables	74	202
Inventories	4	29
Machinery and equipment	508	241
Other	18	6
<b>Total</b>	<b>4,130</b>	<b>2,862</b>
<i>Contingent liabilities</i>		
Discounted bills	280	238
Accounts receivable, with recourse	57	70
Guarantees and other commitments	643	738
Capital value of pension commitments in excess of book value	177	148
<b>Total</b>	<b>1,157</b>	<b>1,194</b>

**NOTE 17** American accounting principles (US GAAP)

The consolidated accounts have been prepared in accordance with Swedish accounting practice, which differs in certain significant respects from American accounting principles (US GAAP). The most important differences are described below:

*Write-ups on assets*

In certain situations, Swedish practice permits write-ups of fixed assets in excess of acquisition cost. This does not normally accord with US GAAP.

*Adjustment for acquisitions*

In accordance with Swedish practice, the Group has previously reported negative goodwill as a deferred credit which is taken into income over a period of no more than 10 years. According to US GAAP, negative goodwill should be deducted from the value of acquired fixed assets and reported as income over the useful lives of these assets.

Likewise in accordance with Swedish practice, the tax benefit arising from application of tax-loss carry-overs in

acquired companies is deducted by the Group from the current year's tax expense. According to US GAAP, this tax benefit should be booked as a retroactive adjustment of the value of acquired assets.

*Pensions*

As of the start of 1989, the new American recommendations for pensions known as FAS 87 (Employers' Accounting for Pensions) are applied for pension plans outside the US. In accordance with this recommendation, future salary increases, inflation and other factors must be taken into account for computation of the projected benefit obligation. The computed Swedish provision for PRI pensions is not adjusted for future salary increases, but this is offset by the lower discounting rate applied for computation of PRI pensions in comparison with FAS 87. No significant differences from FAS 87 exist for other pension commitments. The initial difference arising from the first application of FAS 87 (January 1, 1989) is amortized over the future average employment period, so that the effect on net income is insignificant.

*Deferred taxes*

Accounts and income taxes are affected during different periods by certain items. Swedish accounting principles do not require reporting of the effect on taxes that is generated by timing differences. Electrolux reports deferred taxes on the most important timing differences, which refer mainly to untaxed reserves. A 30% tax rate is applied. US GAAP requires that such taxes be reported for all significant differences and that deferred taxes be computed at the rates which applied during the period when the timing differences arose.

Application of US GAAP would have the following approximate effects on consolidated net income, shareholders' equity and the balance sheet:

	1989 SEKm	1988 SEKm
<i>A. Consolidated net income</i>		
Net income as reported in the income statement	2,579	2,371
Adjustment for acquisitions	-111	-196
Deferred taxes	-176	-86
Other	-3	11
Interest on convertible loans after tax	2	3
Approximate income according to US GAAP, fully diluted	<b>2,291</b>	2,103
Approximate net earnings per share according to US GAAP, fully diluted, SEK (73,436,348 and 73,437,198 shares)	<b>31.20</b>	28.60

<i>B. Shareholders' equity</i>	1989 SEK m	1988 SEK m
Shareholders' equity as reported in the balance sheet	17,025	14,873
Items which diminish equity		
Minority interests	- 26	- 25
Write-ups on fixed assets	- 151	- 71
Adjustment for acquisitions	-1,039	- 928
Deferred taxes		
Differences in tax rates	-1,040	-1,084
Other items	- 121	42
Approximate shareholders' equity according to US GAAP	14,648	12,807

*C. Balance sheet*

The table below summarizes the consolidated balance sheets prepared in accordance with Swedish accounting principles and US GAAP.

	According to Swedish principles		According to US GAAP	
	1989 SEK m	1988 SEK m	1989 SEK m	1988 SEK m
Current assets	38,121	34,245	41,749	35,810
Real estate, machinery and equipment	18,857	15,722	18,285	15,161
Shares and participations	396	2,301	396	2,301
Long-term receivables	405	557	405	557
Goodwill	4,538	3,287	3,919	2,850
Other assets	981	728	982	728
Total assets	63,298	56,840	65,736	57,407
Current liabilities	26,187	24,597	29,814	26,162
Long-term liabilities	17,877	15,069	17,877	15,069
Deferred taxes	1,974	2,083	3,136	3,126
Minority interests	235	218	261	243
Shareholders' equity	17,025	14,873	14,648	12,807
Total liabilities and shareholders' equity	63,298	56,840	65,736	57,407

NOTE  
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Average number of employees, wages, salaries and remuneration

	1989	1988
<i>Operations in Sweden</i>		
Total work sites	84	107
Total average number of employees	30,090	30,103
Wages, salaries and remuneration, SEK m		
Boards and Presidents	67	58
Other employees	3,863	3,580
Total	3,930	3,638
<i>Operations outside Sweden</i>		
Number of countries	45	47
Total average number of employees	122,823	117,089
Wages, salaries and remuneration, SEK m		
Boards and Presidents	213	180
Other employees	13,315	11,439
Total	13,528	11,619
<i>Group total</i>		
Average number of employees	152,913	147,192
Wages, salaries and remuneration, SEK m	17,458	15,257

# PARENT COMPANY

A summary of the annual report for the parent company, AB Electrolux, is given below.

## AB ELECTROLUX INCOME STATEMENT

(SEK m)	1989	1988
Sales	4,446	4,323
Income before allocations	1,149	1,054
Allocations	-165	-92
Taxes	-18	-92
<b>Net income</b>	<b>966</b>	<b>870</b>

## AB ELECTROLUX BALANCE SHEET

(SEK m)	1989-12-31	1988-12-31
<b>ASSETS</b>		
Current assets	3,742	1,860
Blocked accounts with the Bank of Sweden	8	11
Fixed assets		
Shares and participations	14,643	14,751
Other	7,392	22,035
<b>Total assets</b>	<b>25,785</b>	<b>24,451</b>

### LIABILITIES

Current liabilities	5,446	5,930
Long-term liabilities	12,228	10,706
Convertible debenture loan	42	59
Untaxed reserves	17,716	16,695
	907	743

### SHAREHOLDERS' EQUITY

Restricted equity			
Share capital			
2,000,000 A-shares, par SEK 25			
70,677,932 B-shares, par SEK 25			
	1,817		1,809
Converted shares, unregistered			
	1		3
Statutory reserves			
	2,713	4,531	2,703
4,515			
Unrestricted equity			
Retained earnings			
	1,665		1,628
Net income			
	966	2,631	870
			2,498
<b>Total liabilities and shareholders' equity</b>	<b>25,785</b>		<b>24,451</b>

## DIVIDENDS AND CHANGE IN SHAREHOLDERS' EQUITY

Dividends on shares and participations in subsidiaries

Dividends from Swedish subsidiaries amounted to SEK 9 m (306). Dividends from subsidiaries outside Sweden amounted to SEK 413 m (321).

Shareholders' equity (SEK m)	Share cap.	Unreg. share cap.	Statutory reserve	Unrestr. equity
Opening balance	1,809	3	2,703	2,498
Dividend approved by AGM				-833
Converted debentures		6	10	
Registered increase in share capital	8	-8		
Net income				966
<b>Year-end balance</b>	<b>1,817</b>	<b>1</b>	<b>2,713</b>	<b>2,631</b>

# PROPOSED DISTRIBUTION OF EARNINGS

According to the consolidated financial statements, the Group's disposable earnings amount to SEK 5,882m, of which SEK 36m has been allocated to restricted equity.

The Board of Directors and the President propose that:

Net income for the year	SEK 965,922,000
and retained earnings	SEK <u>1,664,749,000</u>
totalling	SEK 2,630,671,000

be distributed as follows:

A dividend of SEK 12.50 to shareholders, totalling	SEK 909,169,000
To be carried forward	SEK <u>1,721,502,000</u>
Total	SEK 2,630,671,000

Stockholm, March 22, 1990

HANS WERTHÉN  
Chairman of the Board

PETER WALLENBERG  
Deputy Chairman  
CLAES DAHLBÄCK  
ROLF KARLSSON  
SVEN OLVING  
HANS SÖDERQVIST

ANDERS SCHARP  
President and CEO

GÖSTA BYSTEDT  
Deputy Chairman  
NILS HOLGERSON  
BIRGIT MALMENSTAM-SKYTT  
JACOB PALMSTIERNA  
STEN WIKANDER

# AUDITORS' REPORT

We have examined the annual report, the consolidated financial statements, the accounting records and the administration by the Board of Directors and the President for the accounting year 1989. Our examination was carried out in accordance with generally accepted auditing standards.

## PARENT COMPANY

The annual report has been prepared in accordance with the Swedish Companies Act. We recommend that the Annual General Meeting

- adopt the income statement and the balance sheet,
- distribute the earnings as proposed by the Board of Directors and the President, and
- discharge the members of the Board of Directors and the President from liability for the financial year.

## GROUP

The consolidated financial statements have been prepared in accordance with the Swedish Companies Act.

We recommend that the Annual General Meeting adopt the consolidated income statement and the consolidated balance sheet.

Stockholm, March 28, 1990

Hagström & Olsson AB

ARNE HOLMÉN  
Authorized Public Accountant

# BOARD OF DIRECTORS

HANS WERTHÉN



*Chairman.*  
Born 1919, M. Eng., Hon. Tech. D. Board Chairman: Telefon AB LM Ericsson, Stockholms Optionsmarknad OM Fondkommission AB. Board Member: Förvaltnings AB Providentia, AB Investor, Skandigen AB, Federation of Swedish Industries, AB Medicus. Elected 1967. Shareholding in AB Electrolux: 354,467 shares.

PETER WALLENBERG



*Deputy Chairman.*  
Born 1926, B.L., Hon. Econ. D. First Deputy Chairman, Skandinaviska Enskilda Banken. Board Chairman: Atlas Copco AB, AB Investor, Förvaltnings AB Providentia, Stora Kopparbergs Bergslags AB, Knut och Alice Wallenbergs Stiftelse. Deputy Chairman: ASEA AB, Telefon AB LM Ericsson, AB SKF. President, International Chamber of Commerce (ICC), Paris. Elected 1974. Shareholding in AB Electrolux: 6,900 shares.

GÖSTA BYSTEDT



*Deputy Chairman.*  
Born 1929, M. Eng., M. Econ. Board Chairman: AB Scanditronix, Åhléns AB. Deputy Chairman: AB Export-Invest, Axel Johnson AB. Board Member: ESAB, AB SKF, Federation of Swedish Industries, AB Åkerlund & Rausing. Deputy Member: Atlas Copco AB, Skandinaviska Enskilda Banken. Elected 1969. Shareholding in AB Electrolux: 114,759 shares.

CLAES DAHLBÄCK



Born 1947, M. Econ. President, AB Investor. Board Chairman: Skandigen AB. Board Member: ASEA AB, AB Astra, Fastighets AB Beväringen, Stockholms Optionsmarknad OM Fondkommission AB, AB Papyrus, Åkermans Verkstad AB, Center for Business and Policy Studies (SNS). Elected 1983. Shareholding in AB Electrolux: 1,000 shares.

NILS HOLGERSON



Born 1923, B.A., M. Econ. Board Member: Provendor AB, SILA, SPP, Svenska Handelsbanken, Svenska Finans AB, Svenska Tobaks AB, AB Tipstjänst, Volvo Flygmotor AB. Elected 1978. Shareholding in AB Electrolux: 3,000 shares.

BIRGIT MALMENSTAM-SKYTT



Born 1935, M. Econ. Secretary General, Swedish Shareholders' Association. Board Member: PKbanken investment funds, World Federation of Investment Clubs and Individual Investors. Trustee, RKA Insurance Company. Elected 1978. Shareholding in AB Electrolux: 2,800 shares.

SVEN OLVING



Born 1928, Tech. D. Professor, Chalmers Institute of Technology, Chairman of Royal Swedish Academy of Engineering Sciences (IVA). Board Chairman: AB Volvofinans. Board Member: Celsius Industries Corporation, Telefon AB LM Ericsson, Götaverken Energy AB, Trelleborg AB, ABB Hafo, Gotabanken. Elected 1967. Shareholding in AB Electrolux: 50 shares.

JACOB PALMSTIERNA



Born 1934, M. Econ., Hon. Econ. D. Board Chairman: Piren AB, VBB-gruppen AB. Board Member: Stora Kopparbergs Bergslags AB. Elected 1974. Shareholding in AB Electrolux: 0 shares.

ANDERS SCHARP



President and CEO. Born 1934, M. Eng. Board Member: Email Limited (Australia), AB Investor, Piren AB, Swedish Employers' Confederation (SAF), Swedish Association of Mechanical and Electrical Industry, Swedish Metal Trades Employers' Association. Elected 1980. Shareholding in AB Electrolux: 72,666 shares, 20,000 share options.

STEN WIKANDER



Born 1927, M. Econ. Former President, Fourth National Pension Insurance Fund. Board Chairman: AB Svensk Exportkredit, H&M Hennes & Mauritz AB. Board Member: Urban Mortgage Bank of Sweden, Telefon AB LM Ericsson, Bank of Sweden's Jubilee Fund. Elected 1985. Shareholding in AB Electrolux: 0 shares.

ROLF KARLSSON



Employee representative. Born 1942. Representative of the Swedish Confederation of Trade Unions. Elected 1978. Shareholding in AB Electrolux: 0 shares.

HANS SÖDERQVIST



Employee representative. Born 1938. Representative of the Swedish Federation of Salaried Employees. Elected 1983. Shareholding in AB Electrolux: 8 shares.

ROLAND MÖRK



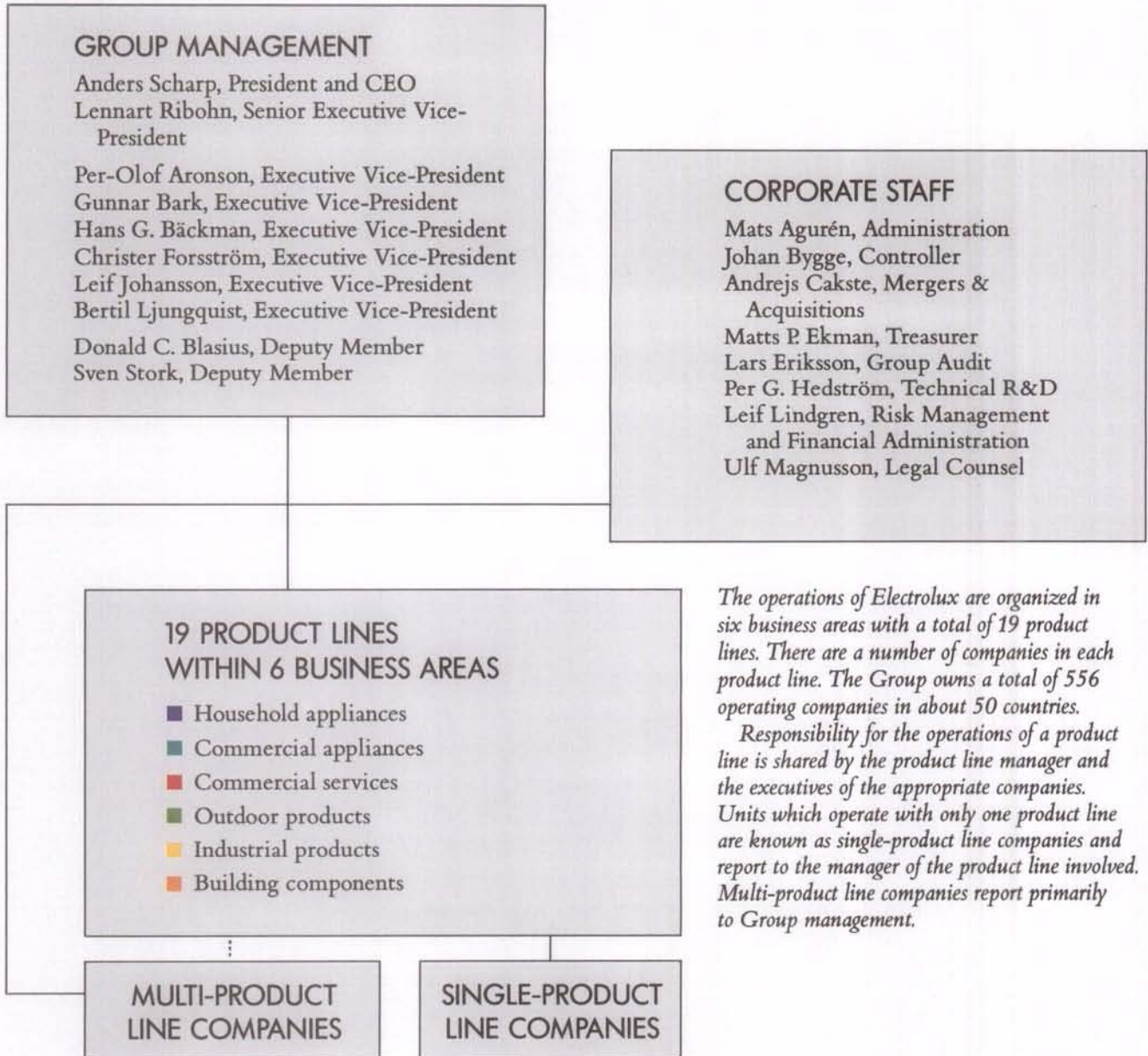
Deputy employee representative. Born 1938. Representative of the Swedish Confederation of Trade Unions. Elected 1988. Shareholding in AB Electrolux: 0 shares.

TORSTEN SÄLL



Deputy employee representative. Born 1931. Representative of the Swedish Foremen and Supervisors' Union. Elected 1985. Shareholding in AB Electrolux: 1,050 shares.

# GROUP STRUCTURE



*The operations of Electrolux are organized in six business areas with a total of 19 product lines. There are a number of companies in each product line. The Group owns a total of 556 operating companies in about 50 countries.*

*Responsibility for the operations of a product line is shared by the product line manager and the executives of the appropriate companies. Units which operate with only one product line are known as single-product line companies and report to the manager of the product line involved. Multi-product line companies report primarily to Group management.*




## Household appliances




White goods  
*Leif Johansson*  
Floor-care products  
*Christer Forsström*  
Leisure appliances  
*Sven Stork*  
Room air-conditioners  
*Leif Johansson*  
Sewing machines  
*Bengt Andersson*

## Commercial appliances




Food-service equipment  
*Gianfranco Zoppas*  
Industrial laundry equipment  
*Thorbjörn Larsson*  
Commercial refrigeration equipment  
*Börje Närman, Europe*  
*Donald C. Blasius, USA*  
Commercial cleaning equipment  
*Christer Forsström*

## Commercial services




Environmental services  
*Bertil Ljungquist*  
Laundry services and goods  
protection  
*Bertil Ljungquist*

## Outdoor products




Forestry equipment  
*Hans G. Bäckman*  
Garden equipment  
*Hans G. Bäckman*  
Agricultural implements  
*Lars-Göran Fasth*

## Industrial products



Gränges  
*Per-Olof Aronson*  
Materials handling equipment  
*Sven Stork*  
Equipment for personal  
safety in cars  
*Gunnar Bark*  
Components  
*Gunnar Bark*

## Building components



Kitchen and bathroom cabinets  
*Nils-Erik Danielsson, Europe*  
*Dean R. Baird, USA*

# GROUP MANAGEMENT

ANDERS SCHARP



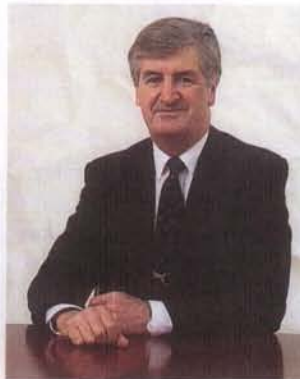
Born 1934, M. Eng. Head of the refrigeration laboratory at Elektro Helios 1960, Vice-President, Production at Electrolux 1969, Vice-President, Production/R&D and Executive Vice-President 1974. President of Facit AB 1976. President of AB Electrolux 1981. CEO 1986. Shareholding in AB Electrolux: 72,666 shares, 20,000 share options.

LENNART RIBOHN



Born 1943, B.A. Group Controller 1971, Executive Vice-President of AB Electrolux 1981, Senior Executive Vice-President 1988. Shareholding in AB Electrolux: 40,944 shares, 20,000 share options.

PER-OLOF ARONSON



Born 1930, M. Eng. Production Manager at Svenska Metallverken in the Gränges Group 1966, Vice-President, Production/R&D at Gränges Aluminium 1975, President of Gränges Aluminium and Product Line Manager 1983, Executive Vice-President of AB Electrolux 1989. Shareholding in AB Electrolux: 900 shares, 20,000 share options.

GUNNAR BARK



Born 1939, M. Eng. President of Gränges Weda AB and Product Line Manager for Car safety belts 1982, Manager of Industrial Components and Executive Vice-President of AB Electrolux 1989. Shareholding in AB Electrolux: 19,800 shares, 20,000 share options.

HANS G. BÄCKMAN



Born 1936, M. Eng. Divisional Manager of Husqvarna AB 1977, Product Line Manager for Forestry and Garden equipment 1983, Executive Vice-President of AB Electrolux 1988. Shareholding in AB Electrolux: 21,700 shares, 20,000 share options.

CHRISTER FORSSTRÖM



Born 1943, Economist. President of Electrolux-Wascator AB 1981, Product Line Manager for Floor-care products and Commercial cleaning equipment 1984, Executive Vice-President of AB Electrolux 1988. Shareholding in AB Electrolux: 2,166 shares, 20,000 share options.

LEIF JOHANSSON



Born 1951, M. Eng. President of Husqvarna Motorcyklar AB 1979, Divisional Manager of Facit AB 1981, President of Facit AB 1982, Product Line Manager for White goods 1983, Executive Vice-President of AB Electrolux 1988. Shareholding in AB Electrolux: 10,435 shares, 20,000 share options.

BERTIL LJUNGQUIST



Born 1932, Economist. Administrative Manager of Facit AB 1967, Vice-President, Personnel at AB Electrolux 1974, Vice-President, Administration 1978, Executive Vice-President 1981, Product Line Manager for Laundry services and Goods protection 1983 and for Environmental Services 1989. Shareholding in AB Electrolux: 2,353 shares, 10,000 share options.

# STATEMENT OF ADDED VALUE

Added value represents the contribution made by a company's production, i.e. the increase in value arising from manufacture, handling, etc. within the company. It is defined as sales revenues less the costs of purchased goods and services.

Sales revenues for the Electrolux Group in 1989 totalled SEK 84,919m (73,960). After deduction of purchases of goods and services, the value added by the Group amounted to SEK 31,082m (27,489), an increase of 13% (9) over the previous year. During the past five years, added value has increased at an annual rate of 17% (18).

In 1989, SEK 4,783m (4,441) of the value added remained within the Group and was utilized among other things for capital expenditure as well as product development and marketing. Dividend payments to shareholders accounted for 3% (3) of added value in 1989, or 4% (4) of the Group's total payroll costs.

The added value generated within the Group over the past two years and its distribution are shown in the tables below.

## Calculation of added value

SEKm	1989	%	1989 per employee, SEK '000	1988	%
Total sales	84,919	100	555	73,960	100
Cost of purchased goods and services	-53,837	-63	-352	-46,471	-63
Added value	31,082	37	203	27,489	37

## Distribution of added value

SEKm	1989	%	1989 per employee, SEK '000	1988	%
To employees					
Wages and salaries	17,458			15,257	
Employer contributions	5,323			4,758	
	22,781	73	149	20,015	73
To central and local governments					
Taxes	936	3	6	1,030	4
To credit institutions					
Interest, etc.	1,673	5	11	1,170	4
To shareholders					
Dividend payments (1989: Proposed)	909	3	6	833	3
Retained in the Group					
For wear on fixed assets (depreciation)	3,021		20	2,577	
For continued expansion	1,762		11	1,864	
	4,783	16	31	4,441	16
Added value	31,082	100	203	27,489	100

# GROUP SALES AND EMPLOYEES



## LATIN AMERICA



## GROUP TOTAL

	1989	1988	No. of employees 1989
	Sales SEK m	Sales SEK m	
	84,919	73,960	152,913

## NORTH AMERICA

	1989		1988		No. of employees 1989
	Sales SEK m	% of Group sales	Sales SEK m	% of Group sales	
USA	23,458	27.6	19,354	26.2	32,375
Canada	2,416	2.9	1,786	2.4	2,243
	25,874	30.5	21,140	28.6	34,618

## LATIN AMERICA

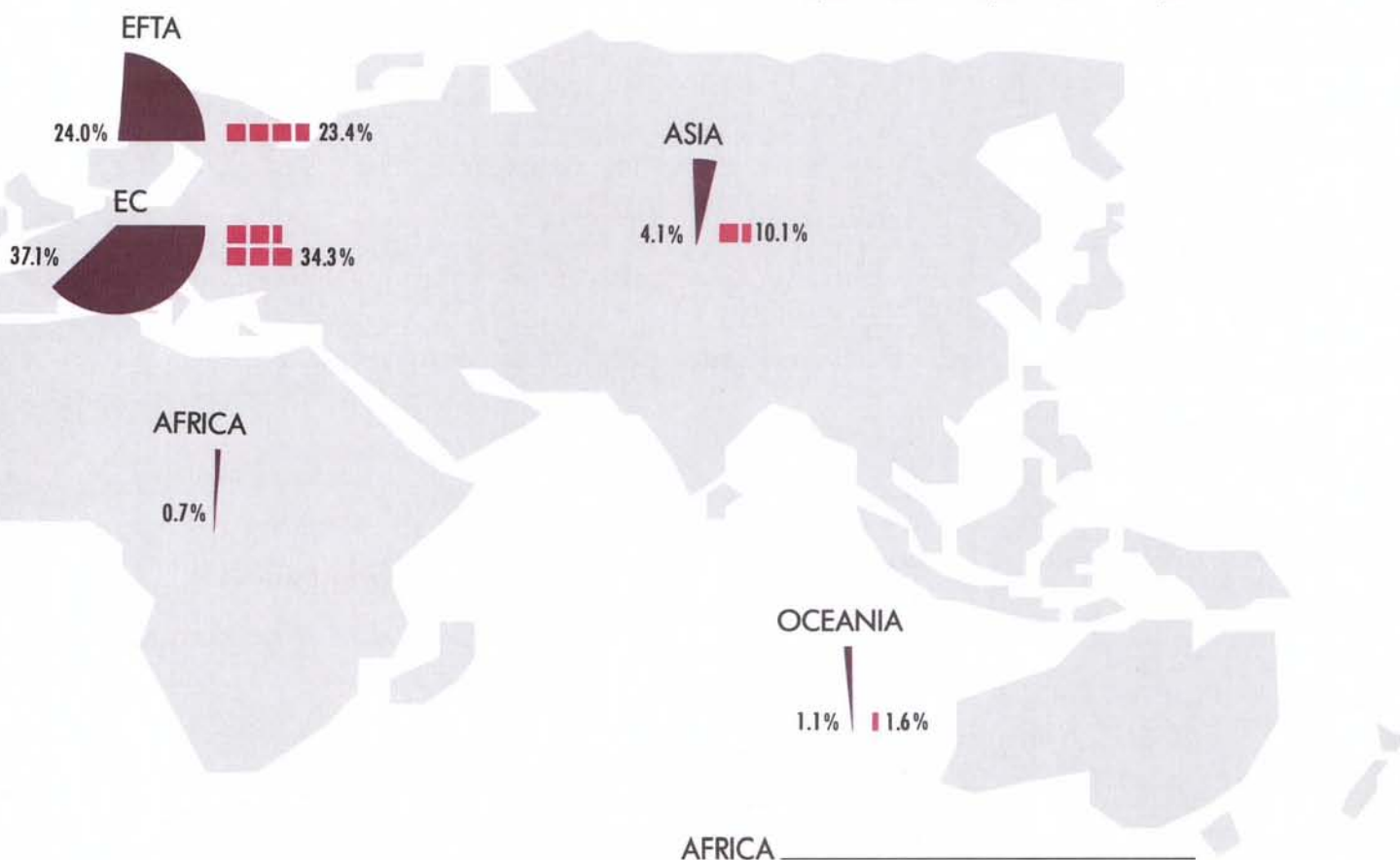
	1989		1988		No. of employees 1989
	Sales SEK m	% of Group sales	Sales SEK m	% of Group sales	
Brazil	421	0.5	307	0.4	6,376
Mexico	249	0.3	180	0.3	2,078
Venezuela	101	0.1	327	0.5	1,573
Colombia	96	0.1	95	0.1	875
Peru	46	0.1	79	0.1	691
Ecuador	27	0.0	54	0.1	250
Guatemala	10	0.0	16	0.0	28
Other	456	0.6	397	0.5	347
	1,406	1.7	1,455	2.0	12,218

## EFTA

	1989		1988		No. of employees 1989
	Sales SEK m	% of Group sales	Sales SEK m	% of Group sales	
Sweden	14,587	17.2	12,891	17.4	30,090
Finland	1,896	2.2	1,658	2.3	1,471
Norway	1,632	1.9	1,457	2.0	1,291
Switzerland	1,616	1.9	1,532	2.1	1,773
Austria	645	0.8	531	0.7	1,096
Iceland	13	0.0	22	0.0	—
<b>Total EFTA</b>	<b>20,389</b>	<b>24.0</b>	<b>18,091</b>	<b>24.5</b>	<b>35,721</b>
Rest of Europe	683	0.8	453	0.6	—

## EC

	1989		1988		No. of employees 1989
	Sales SEK m	% of Group sales	Sales SEK m	% of Group sales	
United Kingdom	7,566	8.9	7,884	10.7	11,555
France	5,591	6.6	5,368	7.3	7,915
Italy	5,077	6.0	4,396	5.9	15,555
West Germany	5,035	5.9	4,491	6.1	3,779
Spain	3,143	3.7	1,766	2.4	6,905
Denmark	2,157	2.5	1,931	2.6	4,031
The Netherlands	1,540	1.8	1,283	1.7	1,434
Belgium	831	1.0	749	1.0	251
Ireland	248	0.3	247	0.3	50
Portugal	123	0.2	101	0.1	67
Greece	100	0.1	90	0.1	—
Luxembourg	88	0.1	107	0.2	920
<b>Total EC</b>	<b>31,499</b>	<b>37.1</b>	<b>28,413</b>	<b>38.4</b>	<b>52,462</b>



## ASIA

	1989		1988		No. of employees 1989
	Sales SEK m	% of Group sales	Sales SEK m	% of Group sales	
Japan	801	0.9	776	1.0	1,242
Taiwan	414	0.5	299	0.4	752
Saudi Arabia	290	0.4	302	0.4	492
Thailand	266	0.3	199	0.3	3,472
Hong Kong	251	0.3	200	0.3	1,673
Malaysia	183	0.2	158	0.2	2,325
Singapore	96	0.1	74	0.1	666
Kuwait	78	0.1	67	0.1	326
Lebanon	34	0.0	34	0.0	19
Jordan	24	0.0	23	0.0	94
Other	1,059	1.3	1,014	1.4	4,414
<b>Total ASIA</b>	<b>3,496</b>	<b>4.1</b>	<b>3,146</b>	<b>4.2</b>	<b>15,475</b>

## AFRICA

	1989		1988		No. of employees 1989
	Sales SEK m	% of Group sales	Sales SEK m	% of Group sales	
	585	0.7	390	0.5	—

## OCEANIA

	1989		1988		No. of employees 1989
	Sales SEK m	% of Group sales	Sales SEK m	% of Group sales	
Australia	779	0.9	713	1.0	1,778
New Zealand	179	0.2	136	0.2	641
Other	29	0.0	23	0.0	—
<b>Total OCEANIA</b>	<b>987</b>	<b>1.1</b>	<b>872</b>	<b>1.2</b>	<b>2,419</b>

# TEN-YEAR REVIEW

Amounts are in SEK m,  
unless otherwise noted

Average  
growth rate, %

	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	5 yrs	10 yrs
<b>Sales and income</b>												
Sales	84,919	73,960	67,430	53,090	39,688	34,547	32,146	31,661	26,595	22,874	19.7	18.8
Operating income after depreciation	5,281	4,897	4,225	3,321	3,137	3,117	2,691	1,937	1,730	1,728	11.1	15.0
Income after financial items	3,608	3,727	3,060	2,583	2,576	2,470	1,763	609	355	1,003	7.9	14.7
Income before taxes (and allocations)	3,608	3,727	3,060	2,715	2,752	2,576	1,863	567	1,127	1,054	7.0	14.5

<b>Financial position</b>												
Total assets	63,298	56,840	48,470	48,181	29,524	26,281	23,527	24,478	21,767	17,832	19.2	18.8
Net assets <sup>1)</sup>	-	31,690	24,804	27,123	16,488	14,854	13,601	15,217	12,878	10,733	-	-
Net assets	38,623	30,863	-	-	-	-	-	-	-	-	21.1	18.7
Accounts receivable <sup>2)</sup>	14,547	13,728	12,183	11,885	7,864	6,764	6,368	6,719	5,432	4,509	16.6	16.0
Inventories	16,409	14,359	12,169	12,431	8,238	8,032	7,518	8,355	8,048	6,942	15.4	14.2
Risk-bearing capital	19,062	17,408	14,783	14,312	10,785	9,210	7,765	6,886	6,407	5,336	15.7	17.3
Adjusted equity <sup>1)</sup>	-	13,893	11,941	11,659	8,306	6,903	5,651	5,204	4,761	3,697	-	-
Shareholders' equity	17,025	14,873	-	-	-	-	-	-	-	-	19.8	18.7

<b>Data per share</b>												
Earnings after 50% standard tax, SEK	-	24.90	20.60	18.20	19.60	18.90	13.70	5.10	3.20	7.70	-	-
Earnings after full tax, SEK	35.20	32.30	-	-	-	-	-	-	-	-	13.2	15.7
Earnings after actual taxes, SEK	35.70	36.10	28.80	25.60	30.50	25.90	19.80	5.90	15.10	14.20	6.6	10.3
Net earnings (US GAAP), SEK	31.20	28.60	25.00	24.80	22.20	22.20	11.80	-	-	-	7.0	-
Risk-bearing capital, SEK	260	238	202	197	169	150	130	117	110	95	11.6	13.1
Adjusted equity, SEK <sup>1)</sup>	-	190	164	161	131	115	98	92	85	70	-	-
Shareholders' equity, SEK	232	203	-	-	-	-	-	-	-	-	15.1	14.3
Dividend, adjusted for share issues, SEK <sup>3)</sup>	12.50	11.50	10.00	8.75	7.50	6.50	5.50	4.50	4.00	3.75	14.0	15.3
Trading price of B-shares at year-end, SEK	280	293	193	311	194	121	119	60	41	44	18.3	20.1

<b>Key ratios</b>												
Return on equity	-	15.3	12.9	13.3	17.6	20.9	16.4	6.2	4.6	15.1	-	-
after 50% standard tax, %	-	15.3	12.9	13.3	17.6	20.9	16.4	6.2	4.6	15.1	-	-
Return on equity after full tax, %	17.3	18.6	-	-	-	-	-	-	-	-	-	-
Total return on equity, %	16.0	18.9	15.7	16.7	22.2	22.9	20.0	6.0	20.1	24.4	-	-
Return on net assets, % <sup>1)</sup>	-	17.9	16.0	15.2	20.0	21.9	18.7	13.8	14.7	19.5	-	-
Return on net assets, %	14.7	17.4	-	-	-	-	-	-	-	-	-	-
Net assets as % of sales <sup>1) 4)</sup>	-	41.8	36.8	43.1	41.5	43.0	42.3	48.1	48.4	46.9	-	-
Net assets as % of sales <sup>4)</sup>	46.9	40.7	-	-	-	-	-	-	-	-	-	-
Accounts receivable as % of sales <sup>4)</sup>	17.7	18.1	18.1	18.9	19.8	19.6	19.8	21.2	20.4	19.7	-	-
Inventories as % of sales <sup>4)</sup>	19.9	19.0	18.0	19.7	20.8	23.2	23.4	26.4	30.3	30.3	-	-
Interest coverage rate	2.29	2.88	2.60	2.56	3.17	3.29	2.45	1.46	1.35	2.01	-	-
Share of risk-bearing capital, %	30.1	30.6	30.5	29.7	36.5	35.0	33.0	28.1	29.4	29.9	-	-
Equity/assets ratio, % <sup>1)</sup>	-	24.4	24.6	24.2	28.1	26.3	24.0	21.3	21.9	20.7	-	-
Equity/assets ratio, %	26.9	26.2	-	-	-	-	-	-	-	-	-	-
Dividend as % of adjusted equity <sup>1)</sup>	-	6.0	6.0	5.3	5	5.2	5.1	4.5	4.3	5.0	-	-
Dividend as % of shareholders' equity	5.3	5.6	-	-	-	-	-	-	-	-	-	-

<b>Other data</b>												
Gross capital expenditure on real estate, equipment and tools	6,237	5,292	3,788	8,736	2,401	1,694	1,374	1,406	1,514	2,515	-	-
Exclusive of value of fixed assets in companies acquired during the year	5,389	4,772	3,485	3,005	1,808	1,615	1,354	1,320	1,248	1,230	27.3	22.4
Capital expenditure as % of sales	6.3	6.5	5.2	5.7	4.6	4.7	4.2	4.2	4.7	5.4	-	-
Number of employees	152,900	147,200	140,500	129,900	91,100	87,000	86,300	96,600	97,800	99,000	11.9	6.4
Salaries, wages and remuneration	17,458	15,257	14,427	11,164	8,320	7,283	6,852	7,195	6,357	5,403	19.1	16.1
Number of shareholders	68,000	70,000	70,000	59,000	52,000	52,000	51,000	52,000	51,000	43,000	-	-

1) Computed after 50% tax on allocations and untaxed reserves.

2) Accounts receivable through 1984 have been augmented with accounts receivable transferred for factoring in a separate finance company.

3) 1989: Proposed.

4) Sales for 1986, 1988 and 1989 have been adjusted on a 12-month basis. For definitions of the concepts in the above table, see p. 42.

# ANNUAL GENERAL MEETING

The Annual General Meeting will be held at 3:30 PM on Thursday, May 17, 1990 at the Main Hall of the Concert Hall at Hötorget in Stockholm, Sweden.

## ENTITLEMENT TO PARTICIPATION

Shareholders who intend to participate in the AGM must be registered with the VPC AB (Swedish Securities Register Center) not later than Monday, May 7, 1990.

Shareholders whose shares are registered through banks or trustees must have their shares temporarily registered in their own names at the VPC not later than Monday, May 7, 1990.

## NOTICE OF PARTICIPATION

In addition to the above registration, notice of intent to participate must be given to Electrolux not later than 4 PM on Monday, May 14, 1990 by mail to AB Electrolux, Dept. C-J, S-105 45 Stockholm, Sweden, or by telephone at Int +46-8 738 6793 or 738 6789.

## PAYMENT OF DIVIDEND

Subject to endorsement by the AGM of the Board's proposal of May 22, 1990 as reconciliation date, it is expected that dividends will be paid by the VPC on May 30, 1990.

## CHANGE OF ADDRESS

Shareholders who have changed their names, addresses or bank account numbers should inform their trustees or Värdepapperscentralen VPC AB, S-17118 Solna, Sweden, as soon as possible.

## ELECTROLUX WILL PUBLISH THE FOLLOWING FINANCIAL REPORTS IN 1990

Preliminary year-end results _____	Early February
Consolidated results* _____	End of March
Annual report* _____	Early May
Quarterly report (1st quarter) _____	Mid-May
Form 20-F _____	June (to SEC, USA)
Half-yearly report (1st half)* _____	Mid-August
Quarterly report (3rd quarter) _____	Mid-November

\* Distributed by the VPC to shareholders on request.

The above reports are available on request from  
AB Electrolux, Investor Relations, S-105 45 Stockholm, Sweden.

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